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Enabling poor rural people
to overcome poverty

IFAD's 2011 results-based programme of work and administrative and capital budgets, and the IFAD Office of Evaluation's results-based work programme and budget for 2011 and indicative plan for 2012-2013

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Abbreviations and acronyms

| | |
|--------|---|
| AfDB | African Development Bank |
| ARRI | Annual Report on Results and Impact of IFAD's Operations |
| AsDB | Asian Development Bank |
| CDS | Office of the Chief Development Strategist |
| CLE | corporate-level evaluation |
| COSOP | country strategic opportunities programme |
| CPE | country programme evaluation |
| CPMT | country programme management team |
| CSSG | Corporate Services Support Group |
| DMR | divisional management result |
| DSF | Debt Sustainability Framework |
| ECG | Evaluation Cooperation Group |
| FTE | full-time equivalent |
| HR | human resources |
| ICT | information and communications technology |
| IOE | IFAD Office of Evaluation |
| NONIE | Network of Networks on Impact Evaluation |
| OSC | Operational Strategy and Policy Guidance Committee |
| PBAS | performance-based allocation system |
| PCR | project completion report |
| PDFF | Programme Development Financing Facility |
| PMD | Programme Management Department |
| PPA | project performance assessment |
| PRISMA | President's Report on the Implementation Status of Evaluation Recommendations and Management Actions |
| RIDE | Report on IFAD's Development Effectiveness |
| RMF | Results Measurement Framework |
| SDC | Swiss Agency for Development and Cooperation |
| UNEG | United Nations Evaluation Group |

Executive summary

1. Under the Eighth Replenishment of IFAD's resources, IFAD aims to: raise the level of its new commitments (by 50 per cent over the 2010-2012 period); increase the impact of the projects it finances and supports during implementation; strengthen its partnership and leadership role in the global effort to reduce rural poverty and food insecurity; raise the proportion of its workforce dedicated to country programme development and implementation; and improve its overall efficiency.
2. IFAD's programme of work and budgets for 2011 provide the basis for a decisive step towards achieving those objectives. IFAD Management proposes an indicative programme of work of new loan and grant commitments of US\$1 billion (25 per cent higher than in 2010), as well as additional commitments of US\$500 million under IFAD direct management but mobilized outside IFAD's regular resources. In total, new commitments managed by IFAD will be US\$1.5 billion, 43 per cent higher than in 2010. To develop the capacity to deliver (and subsequently support the implementation of) this programme of new commitments, IFAD Management proposes a budget of US\$140.59 million, a 6.5 per cent nominal increase over 2010. Taking into account cost increases reflecting inflation and a freeze in automatic increases in the salaries of General Service staff in 2011, this is equivalent to a real increase of 5.4 per cent, compared to the 6.4 per cent real increase indicated in the preview of the programme of work and budgets discussed with the Executive Board at its 100th session in September 2010.
3. The overall increase is focused on strengthening capacity in country programme development and implementation (cluster 1). The proposed real increase of 11.4 per cent in cluster 1 is greater than the increase initially discussed in September (10 per cent), reflecting the Executive Board's concern with capacity development in that area. Relative to the proposals discussed in September 2010, the higher allocation to cluster 1 is supported by proposed real reductions in the allocations to cluster 3 (4.7 per cent) and cluster 4 (3.7 per cent). Overall, the share of cluster 1 in the total administrative budget will rise to 61.4 per cent compared to 58.1 per cent in 2010, a greater share than foreseen in the high-level proposal made by IFAD Management in September (60 per cent).
4. IFAD Management also proposes under-the-line budgets of US\$2 million to defray the costs of the Consultation on the Ninth Replenishment of IFAD's Resources, and, on an exceptional basis, US\$490,000 to compensate for the loss of the host country contribution to covering the cost of the thirty-fourth session of the Governing Council.
5. A capital budget of US\$15.19 million is proposed for 2011, including US\$12 million for the Loan and Grant System replacement project. The amortization of completed projects financed from the capital budget is charged to the administrative budget, and the administrative budget for 2011 includes US\$972,000 for that purpose. Table 1 of the executive summary provides a summary overview of IFAD's budget proposals.

Table 1
IFAD's proposed budgets for 2011 – Administrative and other

| <i>Cluster</i> | <i>Outcome</i> | <i>Corporate management result (CMR)</i> | <i>Process</i> | <i>2011 proposed budget including estimated inflation @ EUR 0.72:US\$1</i> |
|---|--|---|---|--|
| <i>Operational</i> | | | | US\$ million |
| 1 | Effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction | CMR 1 – Better country programme management CMR 2 – Better project design (loans and grants) CMR 3 – Better supervision and implementation support | Country programme development and implementation | 86.36 |
| 2 | Supportive global resource mobilization and policy framework for rural poverty reduction | CMR 8 – Better inputs into global policy dialogues for rural poverty reduction CMR 10 – Increased mobilization of resources for rural poverty reduction | High-level policy dialogue, resource mobilization and strategic communication | 9.87 |
| <i>Institutional support</i> | | | | |
| 3 | An effective and efficient management and institutional service platform at headquarters and in-country for achievement of operational results | CMR 4 – Better financial resource management CMR 5 – Better human resource management CMR 6 – Better results and risk management CMR 7 – Better administrative efficiency and an enabling work and information-and-communications technology (ICT) environment | Corporate management, reform and administration | 31.74 |
| 4 | IFAD's governing bodies function effectively and efficiently | CMR 9 – Effective and efficient platform for Members' governance of IFAD | Support to Members' governance activities | 10.52 |
| Total 2011 administrative budget proposed for clusters 1-4 | | | | 138.49 |
| Corporate cost centre | | | | 2.10 |
| Total administrative budget proposed for 2011 | | | | 140.59 |
| Other budgets proposed for 2011: | | | | |
| 2011 capital budget | | | | 15.19 |
| Ninth Replenishment budget | | | | 2.00 |
| Extraordinary compensatory budget for the 2011 Governing Council | | | | 0.49 |

Recommendation for approval

The Executive Board is invited to approve the recommendation on IFAD's 2011 results-based programme of work and administrative and capital budgets and on the administrative budget of the IFAD Office of Evaluation for 2011, as contained in paragraphs 133 to 135. Furthermore, the Executive Board is invited to consider the draft resolution contained in the attachment on page 33 and to submit it, together with its recommendations thereon, to the thirty-fourth session of the Governing Council in February 2011, for its consideration and adoption.

IFAD's 2011 results-based programme of work and administrative and capital budgets, and the IFAD Office of Evaluation's results-based work programme and budget for 2011 and indicative plan for 2012-2013

Part one – High-level preview of IFAD's 2011 results-based programme of work and administrative and capital budgets

I. IFAD's programmes of work for 2011

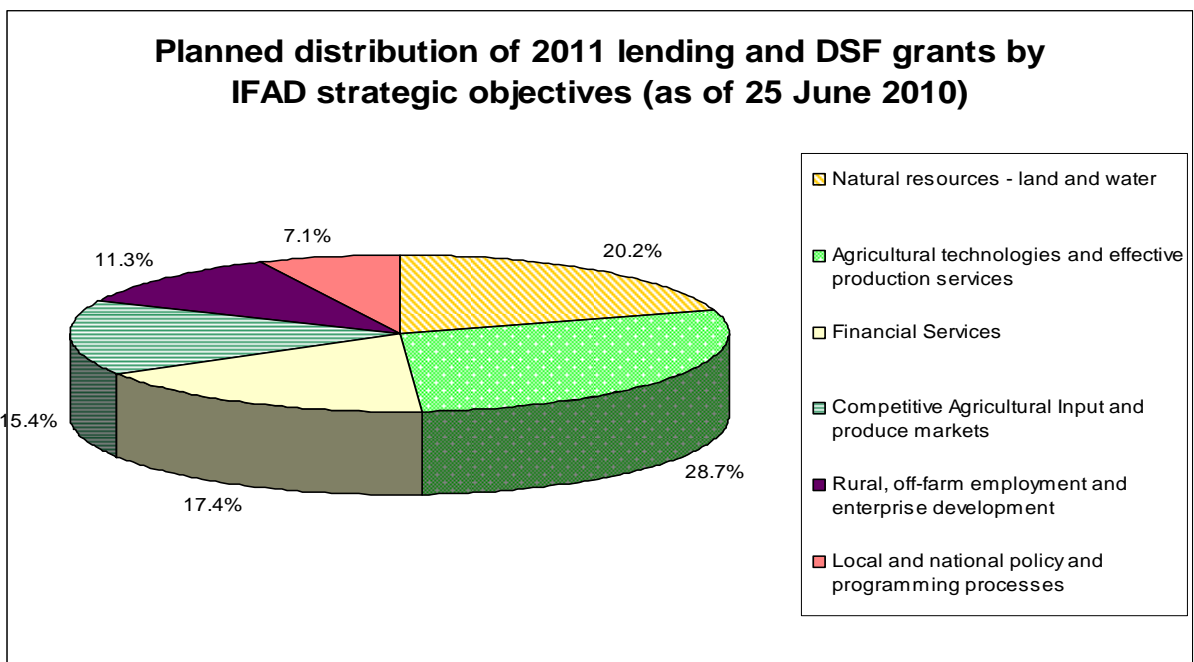
- Under the Eighth Replenishment of IFAD's Resources, the Member States gave IFAD the resources and the mandate to play a material and proactive role in accelerating global investment in smallholder development, including mobilization of new partnerships and resources. Within the framework of the Medium-term Plan 2010-2012, IFAD Management proposes an indicative work programme of US\$1.5 billion (see table 2) for 2011, composed of a programme of work of US\$1 billion from its regular resources and an additional US\$0.5 billion in commitments entrusted to IFAD Management but mobilized from other sources (including the Global Agriculture and Food Security Programme, Spanish funds, the European Commission, the OPEC Fund for International Development and the Global Environment Facility). This will be by far the largest work programme in IFAD's history. With planned traditional cofinancing and the additional resources directly managed by IFAD, it will involve a total mobilization of US\$2.5 billion in new commitments to smallholder development in 2011 – and will be a key component of the accelerated effort to reach the Millennium Development Goals in rural areas by 2015.

Table 2
Indicative and actual work programme of loans and grants
 (Millions of United States dollars)

| <i>Indicative work programme</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011</i> |
|---|--------------|--------------|--------------|----------------|----------------|
| IFAD loans and Debt Sustainability Framework (DSF) grants | 544.5 | 607.8 | 668.5 | 748 | 935 |
| IFAD grants | 60.5 | 42.2 | 46.5 | 52 | 65 |
| Total IFAD programme of work | 605.0 | 650.0 | 715.0 | 800.0 | 1 000.0 |
| Other funds under IFAD management (estimated) | - | - | 200 | 250.0 | 500.0 |
| Total | 605.0 | 650.0 | 915.0 | 1 050.0 | 1 500.0 |

The programme of loans and DSF grants

2. IFAD’s programme of work is delivered through its portfolio of loans/DSF grants and regular grants. IFAD is currently developing 62 projects (see document EB 2010/100/R.26, Planned project activities including those proposed and approved under lapse-of-time procedure 2010-2011), of which 51 projects/programmes and supplementary loans/DSF grants are being prepared for approval in 2011, with at least 40 per cent in sub-Saharan Africa. In line with the strategic objective of expanding the work programme with larger projects, and within the framework of the performance-based allocation system, 12 of the new planned projects/programmes are over US\$30 million (including those for Bangladesh, Ethiopia, Nepal, the Niger, Rwanda and Senegal) while only nine new programmes are below US\$10.0 million (including those for Kiribati, Timor-Leste and Tonga).
3. The anticipated value distribution of the programme of loans and DSF grants in terms of the strategic thrusts articulated in the Strategic Framework 2007-2010 is shown in the chart below. In order of size, they are: agricultural technologies and effective production services (28.7 per cent); natural resources – land and water (20.2 per cent); financial services (17.4 per cent); competitive agricultural inputs and produce markets (15.4 per cent); rural off-farm employment and enterprise development (11.3 per cent); and local and national policy and programming processes (7.1 per cent).



The regular grant programme

4. The estimated number of global/regional and country grants in 2011 is 84, for a total IFAD grant value of US\$65 million. The principal thrusts of the planned regular grant programme are: innovative technologies and approaches in support of IFAD’s target group; awareness, advocacy and policy dialogue; strengthened capacity of partner institutions in support of poor rural people; and knowledge management and dissemination of information on issues related to rural poverty reduction. Regional grants will be used to reinforce cross-cutting issues such as the integration of producer organizations into staple food markets and linkages with sustainable financial services, young people’s and women’s opportunities and participation, and development of natural resource management approaches related to climate change adaptation. As in lending operations, the thrust will be towards larger

grants with well-performing partners – with clear strategic value-adding potential pursued under firm IFAD oversight.

II. IFAD's administrative budget

A. Allocation policy, budget levels and budget utilization

5. Successive IFAD administrative budgets – and allocations to the Programme Development Financing Facility (PDFF), which was integrated into the administrative budget in 2010 – have reflected the absolute priority placed on achieving development impact through an expanded programme of work and project portfolio. Staff, consultants and other expenditures dedicated to directly supporting project development and implementation support (cluster 1 in the results and process matrix)¹ have been increased in real terms each year, albeit at a lower rate than the increase in the nominal value of the programme of work. In **all** other areas, covering activities that make the work of cluster 1 and IFAD's governing bodies possible, the aggregate budgeted level of staffing and the real level of non-staff costs has been kept on a zero- or negative-growth basis, bringing significant improvements in the real cost: output ratio in the area of administration and corporate support systems. With the exception of cost adjustments, the truly administrative component of IFAD's annual budget has experienced zero growth since 1995, except for 2006.
6. In 2009, the total approved administrative budget and PDFF was US\$115.3 million. Reflecting the increased programme of work agreed for the Eighth Replenishment period, of which 2010 was the first year, the newly integrated administrative budget for 2010 was approved with a real increase of 4.4 per cent. The entire real increase was again dedicated to strengthening country programme development and implementation. Thus the real increase for cluster 1 expenditures was 7.5 per cent – compared to an increase in the indicative programme of work of 12 per cent.
7. A further nominal increase of 3.2 per cent was authorized to cover inflation and the estimated increase in staff unit costs. The total nominal value of the administrative budget for 2010, taking into account the real increase, the adjustment for inflation and staff price increases, and the predicted average exchange rate (US\$1:EUR 0.72), was US\$131.99 million (see table 3).

Table 3
Evolution of the administrative budget and the PDFF
(Millions of United States dollars)

| | <i>Approved budget</i> | | | |
|---|------------------------|---------------|---------------|----------------|
| | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> |
| Administrative budget | 67.49 | 74.11 | 73.33 | 131.99 |
| PDFF | 33.80 | 38.78 | 41.98 | - ^a |
| Total | 101.29 | 112.89 | 115.31 | 131.99 |
| Programme of work | 605.0 | 650.0 | 715.0 | 800.0 |
| Programme of work including other directly managed funds | 605.0 | 650.0 | 915.0 | 1 050.0 |
| <i>Efficiency ratio (IFAD programme of work)</i> | <i>16.74%</i> | <i>17.09%</i> | <i>16.13%</i> | <i>16.5%</i> |
| <i>Efficiency ratio (total programme of work)</i> | <i>16.74%</i> | <i>17.09%</i> | <i>12.60%</i> | <i>12.57%</i> |

^a The PDFF was integrated into the administrative budget in 2010.

8. The level of actual utilization of the approved administrative budget has been consistently very high. In two years in the 2006-2009 period the surplus was less

¹ See paragraph 23

than US\$1 million, and in two years there was a **negative** balance, occasioned by increases in the value of the euro against the United States dollar, which drove up the dollar cost of euro-denominated expenditures (representing the majority of IFAD's expenditures). Even after restatement of the budget to reflect exchange rate movements, IFAD has carried forward amounts not exceeding 3 per cent of the restated administrative budgets (see table 4).

Table 4
Utilization of the administrative budget
(Millions of United States dollars)

| <i>Year</i> | <i>Budget approved</i> | <i>Utilized</i> | <i>Surplus/ deficit</i> | <i>Restated budget</i> | <i>Restated surplus/ deficit</i> | <i>Actual carry-forward</i> |
|------------------------------|------------------------|-----------------|-------------------------|------------------------|----------------------------------|-----------------------------|
| Administrative budget | | | | | | |
| 2006 | 61.14 | 60.23 | 0.91 | 62.49 | 2.26 | 1.87 |
| 2007 | 67.49 | 70.55 | (3.06) | 71.79 | 1.24 | 1.24 |
| 2008 | 72.31 | 71.38 | 0.93 | 75.88 | 4.50 | 2.27 |
| 2009 | 73.33 | 75.87 | (2.54) | 78.26 | 2.39 | 2.34 |

Table 5
Utilization of the PDFF
(Millions of United States dollars)

| <i>Year</i> | <i>Budget approved</i> | <i>Carry-forward from prior year</i> | <i>Available PDFF funds</i> | <i>Utilization</i> | <i>Actual carry-forward</i> |
|--------------------|------------------------|--------------------------------------|-----------------------------|--------------------|-----------------------------|
| PDFF budget | | | | | |
| 2006 | 30.45 | 7.57 | 38.02 | 34.09 | 3.93 |
| 2007 | 33.80 | 3.93 | 37.73 | 35.47 | 2.26 |
| 2008 | 38.78 | 2.26 | 41.04 | 37.60 | 3.44 |
| 2009 | 41.98 | 3.44 | 45.42 | 38.27 | 7.15 |

9. The experience of budget utilization under the PDFF, which was integrated into the administrative budget only in 2010, has necessarily been different. The administrative budget finances annual recurrent expenditures; the PDFF was specifically created by the Governing Council to finance multi-year expenditures on project development and implementation. Reflecting the expansion of the programme of work and the multi-year commitments involved in developing it, the PDFF carry-forward into 2010 expanded to US\$7.15 million (see table 5). Unlike the administrative budget, and reflecting the multi-year nature of the commitments it finances, the PDFF had no cap on carry-forwards from year to year. Within the integrated budget structure introduced in 2010, expenses previously financed from the PDFF are now financed from cluster 1 (country programme development and implementation), and to maintain an adequate level of carry-forward capacity for the multi-year commitments involved, it will be proposed that the Governing Council agree to establish an authorization for IFAD to carry forward 6 per cent of its annual budget for cluster 1 into the subsequent year's budget.
10. The rate of budget utilization at the end of the third quarter of 2010 (90 per cent) is broadly in line with performance in previous years (see table 6).

Table 6
Rate of utilization of the administrative budget in 2010 versus 2009
(Millions of United States dollars)

| | 30 September 2010 | 30 September 2009 |
|-----------------------|-------------------|-------------------|
| Administrative budget | 131.99 | 115.31 |
| Utilization | 118.49 | 105.93 |
| Utilization (%) | 90% | 92% |

B. Results from use of the administrative budget and the PDFF

11. Past real increases in the budget for country programme development and implementation (cluster 1), and the full utilization of that budget, have delivered a rapid expansion in new loan and grant commitments. Support for the implementation of the existing portfolio of projects and grants (including loan and grant supervision) is also a major element of cluster 1 activities. The number and value of projects in the portfolio have been expanding, and will increase even faster in future in response to the higher commitment schedule of 2009 and the even higher commitment level planned for 2010-2012 – as the increase in the number of projects approved drives, with a time lag, an increase in the number of projects.
12. The improvement has not only been quantitative. It has also been qualitative, as reflected in the development impact reported in the annual Report on IFAD's Development Effectiveness (RIDE) and the IFAD Office of Evaluation's Annual Report on Results and Impact of IFAD's Operations (ARRI). The 2010 edition of the RIDE (EB 2010/101/R.11) submitted to the 101st session of the Executive Board describes IFAD's progress towards reaching and surpassing its qualitative and quantitative performance targets for 2012, including a major increase in the number of poor rural people supported by its ongoing projects (from 29.2 million to 36.6 million).
13. In addition to project development, IFAD is now supervising approximately 90 per cent of the projects in the portfolio, and plans to directly supervise about 85 per cent of new projects. The impact of the shift to direct supervision is already evident in the improved project impact results reported in the ARRI and RIDE. The shift has also allowed a more direct and realistic assessment of project performance, revealing a legacy of projects that require more intense supervision and implementation support, an activity that accounts for a major element of the cluster 1 budget.

III. Overall parameters of the administrative budget for 2011

A. Objectives and corresponding resource allocations for activities financed under the administrative budget

14. IFAD's development/operational objectives for 2011 are: to achieve the largest ever annual increase in new loans and grants (to approximately US\$1.5 billion), including US\$1.0 billion financed by IFAD and US\$0.5 billion financed from additional resources managed by IFAD) invested in better designed projects (as measured by RMF level 4 indicators), mobilizing up to a further US\$1.0 billion in traditional cofinancing; to better implement the growing portfolio of ongoing projects (as measured by level 4 start-up and implementation indicators) to achieve greater impact (as measured by level 2 indicators); and to create better national, regional and global policy environments for smallholder wealth creation (as measured by RMF level 1 indicators).
15. The internal management objectives for 2011 are to make the operational objectives achievable through: successful resource mobilization and asset management to meet the funding and cofinancing requirements of the programme of work; human resource management to support key development and administration functions at headquarters and in IFAD country offices; a results and risk management system to ensure overall focus, performance and coherence; and an information technology (IT) platform that provides the real-time management data and communications necessary for all of the above (as measured by level 5 indicators). All the above objectives are to be achieved while improving the ratio between new commitments and administrative costs.

16. Achieving these objectives will require a rigorous alignment of resources with planned results. To support this effort, IFAD launched its first ever zero-based budgeting exercise in 2010, in which all internal groups assessed their resource requirements relative to optimizing their contribution to reaching corporate results targets. In the high-level preview of IFAD's 2011 results-based programme of work and administrative and capital budgets, and preview of the IFAD Office of Evaluation's results-based work programme and budget for 2011 and indicative plan for 2012-2013 (EB 2010/100/R.2 and EB 2010/100/R.2/Corr.2), IFAD Management proposed an administrative budget of US\$143.5 million, involving a real increase of 6.4 per cent, and an adjustment for inflation and standard staff costs of 2.8 per cent. Allocations within this overall envelope included a 10 per cent real increase in cluster 1 to directly support an expansion of 43 per cent in the annual new loan and grant commitment target and underpin supervision and implementation support to an expanding portfolio of projects, and a 5 per cent (US\$490,000) increase in cluster 2. In line with past approaches to budgeting, proposed allocations to clusters 3 and 4 involved zero increases. The overall proposal would lead to an improvement in IFAD's efficiency ratio (as specified in the RMF) from 16.5 per cent to 14.35 per cent.
17. In its discussion of the high-level preview, the Executive Board indicated that the planned allocation for cluster 1 should be strengthened further, and that this should be accomplished through reallocations within the proposed budget envelope on the basis of real reductions in the proposed allocations for clusters 2 through 4. It was further suggested that these reductions be achieved in the context of documented savings and efficiencies supporting the focus of resources on activities that directly add value to IFAD's development impact.
18. These suggestions of the Executive Board have been incorporated within the administrative budget for 2011 proposed for approval by the Governing Council. The proposed overall real increase of 5.4 per cent is less than the level of 6.4 per cent discussed in September; the real increase in the cluster 2 allocation has been reduced; negative real growth allocations have been made for clusters 3 and 4; and the cluster 1 allocation has been increased accordingly. The reductions in the cluster 3 and 4 budgets express the first phase of cost savings under zero-based budgeting, savings that are also reflected in a reduction in the staff standard cost inflator. A report on efficiencies and savings achieved in 2010 is provided in annex X.
19. In calculating cost changes IFAD considers two factors, the general inflation rate and the estimated increase in staff standard costs. The estimated inflation rate for 2011 is 1.4 per cent (up from the 1.3 per cent estimated in the high-level preview in September 2010). Changes in staff prices are determined by variations in the elements of standard staff costs, of which salary is but one (see annex V). As a United Nations organization, and by the express policy approved by the Executive Board, IFAD generally aligns itself with the recommendations of the International Civil Service Commission on salaries and benefits. In addition, in the 2010 administrative budget, IFAD specifically aligned itself with the variation in staff costs approved in the budget of the Food and Agriculture Organization of the United Nations (FAO), i.e. 4 per cent per annum for the biennium. In preparing the high-level preview, IFAD Management reviewed the assumptions behind the biennial rate of 4 per cent as they specifically refer to 2011. On the basis of changed expectations about salary increases, the estimated standard staff cost inflator for 2011 presented in the high-level preview was 2.8 per cent. Subsequently, IFAD Management has determined that there will be no automatic increase in the salaries of General Service staff in 2011. Accordingly, and taking into account the cost savings in entitlements and benefits identified in the zero-based budgeting process and reported to the 100th session of the Executive Board (EB 2010/100/INF.5), the projected increase in standard staff costs in 2011 is 0.8 per cent. The average

aggregate annual increase in costs (staff costs and general inflation combined) in 2011 is estimated at 1.1 per cent compared to 3.2 per cent in the 2010 annual budget. A corresponding reduction has been made in the nominal level of the proposed budget relative to the figure presented in the high-level preview for 2011.

B. Rationale for proposed resource allocations across result clusters

20. Since 2010, and in accordance with Eighth Replenishment recommendations, the administrative budget has been structured within an integrated results-based budgeting system aligning all IFAD's budget resources (combining the resources previously managed under the PDFF heading with the administrative budget) with its development results and key activity areas. These activity areas are: country programme development and implementation (cluster 1); high-level policy dialogue, resource mobilization and strategic communication (cluster 2); corporate management, reform and administration (cluster 3); and support to Members' governance activities (cluster 4). The major objectives and indicative resource allocations for each of these clusters is presented below.

Cluster 1. Country programme development and implementation

21. The principal objectives of country programme development and implementation are designing the projects and grants that constitute the programme of work, and supporting the implementation of IFAD's large and growing stock of already approved projects. Project development and approval are just the beginning of IFAD's project engagement, triggering in relation to each project a partnership of ongoing supervision, implementation support, disbursements and procurements that can last for a decade.
22. A substantial increase is foreseen in activities around the programme of work. As indicated in paragraph 2, every attempt is being made to increase the size of IFAD projects. Nonetheless, in the context of the unprecedented size of the proposed programme of work, the number of new projects (as distinct from top-up loans or DSF grants) will rise significantly (see annex II).
23. Since the adoption of the IFAD Policy on Supervision and Implementation Support by the Executive Board in 2006, IFAD Management has moved swiftly to convert the projects under the supervision of cooperating institutions to IFAD's own supervision. On 1 June 2010, 261 projects financed in whole or in part by IFAD were either under or awaiting implementation (compared with 252 in 2009). Of the projects actually under implementation (232), 211 were under direct supervision, up from only 186 at the end of 2009. By 1 June 2010, the total value of IFAD financing for projects under or awaiting implementation had risen to US\$4.6 billion. The supervision load is expected to increase substantially as the actual expansion of project approvals in 2009 and the planned increase in 2010 matures from approved projects to projects-approved-and-under-implementation (involving about 260 projects actually under implementation in 2011).
24. In the context of the major challenge of delivering a programme of work that will expand by 43 per cent, and of continuing to improve the impact of resources committed through intensive project design, supervision and implementation support, the allocation for cluster 1 in 2011 would represent an 11.4 per cent real increase (see table 7), and 61.4 per cent of the total administrative budget (up from 58.1 per cent in 2010).
25. With the approval of the Executive Board, IFAD has established 29 IFAD country offices, of the 30 approved, as integral elements of its systems for country programming and harmonization, project development, and project implementation support and direct supervision. A progress report and activity plan for IFAD's country presence has been submitted to the 101st session of the Executive Board (EB 2010/101/R.15).

Table 7

Indicative financial allocations for country programme development and implementation
(Millions of United States dollars)

| | 2010 @ EUR 0.72:US\$1 | 2011 (including provisions for cost increases) @ EUR 0.72:US\$1 | Percentage change | Percentage real change (net of cost increases) |
|--|--------------------------|--|----------------------|---|
| Cluster 1 processes | 76.68 | 86.36 | 12.6% | 11.4% |
| Cluster 1 processes – share of total integrated administrative budget | 58.1% | 61.4% | 3.3% | n/a |

Note: n/a: not applicable

Cluster 2. High-level policy dialogue, resource mobilization and strategic communication

26. IFAD has been recognized as having a special role in the international development architecture – not only in directly managing investment in smallholder agricultural development, but also in strengthening the conceptual and analytical framework and dialogue for global and national policy processes that influence agricultural policy and investment. IFAD necessarily has engaged in policy dialogue at the country level around issues of project design and development everywhere it operates. The concerted thrust towards organizing projects around prospects for scaling up, creating the conditions for greater private-sector entry into development processes benefiting smallholders, and placing the issue of agricultural and smallholder development within a much broader community of concerned global parties will require a stronger and more coherent effort by IFAD. This effort will need to be aimed in two directions: towards external partners; and within IFAD itself, to better position IFAD's programmes with regard to emerging issues arising from the development of the global system of agricultural trade and investment, and to better tap IFAD's own country-level experience with these issues.
27. The Office of the Chief Development Strategist (CDS) was established on 1 January 2010 (and renamed the Office of Strategy and Knowledge Management, SKM, in October 2010) to provide IFAD with analytical and leadership capacity in the global dialogue on rural and smallholder development. The office was tasked with producing the flagship publications of the Fund, supporting the work of regional economists in the Programme Management Department (PMD), and championing knowledge management and innovation activities.
28. The thrust towards strengthening IFAD's contribution to policy analysis and debate should be paralleled by a strong and coordinated effort to communicate that contribution. Today, IFAD faces more communications opportunities – and challenges – than ever before. This is a result of the organization's expanded country presence, a growing programme of work, a new appreciation for the benefits that advocacy and outreach bring to the operations IFAD supports in the field, and the international community's increased focus on agricultural development.
29. IFAD's broader outreach in policy analysis and communications, spurred by recognition that its impact depends upon participating in and leveraging broader processes, should be mirrored by more systematic efforts in resource mobilization. The widening of the spectrum of investors and financiers in agricultural development in IFAD's development partner countries, on the one hand; and the high cofinancing targets suggested for IFAD's loans and grants in the Consultation on the Eighth Replenishment, require IFAD to diversify its approaches to resource mobilization. This, in turn, will require new expertise and a more direct relation between resource mobilization and the formulation of specific project or programme financing packages.

30. IFAD will be able to grasp this opportunity only by focusing and reorganizing resources at the level allocated in 2010, with a minor real increment (US\$40,000) to strengthen resource mobilization in the context of the thrust towards mobilizing new funding partnerships, an ongoing effort which will expand the commitment level managed by IFAD by US\$0.5 billion in 2011 (see table 8).

Table 8

Indicative financial allocations for high-level policy dialogue, resource mobilization and strategic communication

(Millions of United States dollars)

| | 2010 @ EUR 0.72:US\$1 | 2011 (including provisions for cost increases) @ EUR 0.72:US\$1 | Percentage change | Percentage real change (net of cost increases) |
|--|--------------------------|--|----------------------|---|
| Cluster 2 processes – | 9.74 | 9.87 | 1.3% | 0.4% |
| Cluster 2 processes – share of total integrated administrative budget | 7.4% | 7.0% | (0.4%) | n/a |

Note: n/a: not applicable

Cluster 3. Corporate management, reform and administration

31. The “administrative” portion of the administrative budget is considerably smaller than the operational portion. In real terms it has not grown at all since 2006, and it has increased only once since 1995, while the lending programme and portfolio it supports has expanded rapidly, structural shifts in activities have given rise to new demands, and industry standards for corporate oversight have evolved.
32. In addition to the overall challenge of funding timely and high quality services to support operational activities through a very rapid expansion in demand for recruitment of staff and consultants, management of payments, organization of travel and documents, provision of office and meeting space, and supply of day-to-day computing and communications facilities, IFAD must sustain a shift from country presence as a pilot and ad hoc phenomenon to a structured and permanent part of its organization.
33. Critical areas to be covered include:
34. **Financial resource management and the improved relevance of IFAD’s financial assistance instruments.** More volatile financial markets call for more comprehensive and intensive monitoring, giving rise to the need for greater internal capacity to oversee external asset managers. Both investment and liquidity policies are scheduled for review in the light of changing market conditions and anticipated increases in disbursements. At the same time, the evolution of financial instruments offered by other development institutions and markets necessitates ongoing review of the adequacy of IFAD’s assistance instruments. The sound financial management of projects and loan and grant administration is becoming increasingly critical to the effectiveness of operations and impact. A new loan administration model is now being introduced, which is designed to bring greater efficiency and control over financial aspects of the portfolio while at the same time setting the ground for developing capacity for adequate assessments of national financial systems. The main elements of the new model have been successfully tested by decentralizing disbursement processing to an office outside IFAD headquarters (the Nairobi country office), and the new approach will be fully operationalized in 2011.
35. **Human resource management.** Major management reforms are in progress, requiring strong human resource policy capacity. These include: reforming the contracting system to introduce greater flexibility to meet operational and performance requirements; auditing staffing levels and requirements; aligning staff skills and functions with priority needs; strengthening the impact of IFAD’s performance evaluation system on staff productivity; developing clearer career and staff development structures in critical corporate value-adding areas; managing

internal rotations; and introducing a strategic balance among the different workforce regimes managed by IFAD.

36. **Information and communications technology.** IFAD's continuing ability to raise the level and quality of its development results by expanding and improving its programme of work and portfolio will rest upon streamlining and automating transactional tasks and better managing knowledge. Together, these will free up the workforce to focus on value-adding functions – and to be better informed on what they do. IFAD will strengthen its capacity to develop IT from a corporate business results and process perspective, and to effectively maintain the new systems it is and will be developing – within a strategic approach to outsourcing and greater use of off-the-shelf business solution packages.
37. **Risk management and oversight.** Recent global developments have underlined the need for all major organizations to develop and maintain adequate risk management procedures. IFAD will implement a comprehensive and detailed business continuity plan (including, but by no means restricted to, ensuring preservation of and access to corporate financial and operational data and data management systems) to ensure that its key development support functions can be maintained in the face of recognized risks and threats.
38. Strengthening capacity to identify and mitigate external risks will be accompanied by vigorous action to mitigate potential internal risks. Key objectives for 2011 include testing internal controls for financial reporting in support of Management's efforts to produce assertions on their effectiveness and, subsequently, the external auditor's attestation of such assertions.
39. Given the important immediate requirements of cluster 1 as IFAD rises to the challenge of a leap in commitment levels, cluster 3 must play a lead role in containing and reducing costs, including by reallocating resources to cluster 1. Automation and system improvement under the capital budget (see paragraph 47 and following below) are expected to relieve transactional burdens arising from an increased programme of work in some areas (such as loan and grant management), and rationalization of headquarters procurement is expected to contribute to a savings in cluster 3 costs in the face of an expanding workload, resulting in a real reduction in the cluster 3 allocation of 4.7 per cent in 2011 (see table 9).

Table 9

Estimated financial allocations for corporate management, reform and administration
(Millions of United States dollars)

| | 2010 @ EUR 0.72:US\$1 | 2011 (including provisions for cost increases) @ EUR 0.72:US\$1 | Percentage change | Percentage real change (net of cost increases) |
|---|--------------------------|--|----------------------|---|
| Cluster 3 allocation | 32.94 | 31.74 | (3.6%) | (4.7%) |
| Cluster 3 allocation – share of total integrated administrative budget | 25.0% | 22.6% | (2.4%) | n/a |

Note: n/a: not applicable

Cluster 4. Support to Members' governance activities

40. Cluster 4 activities support IFAD's governance by promoting effective relationships between the Fund and Member States in the governing bodies. Expenditure on this item represents a substantial part of the administrative budget, although it is not strictly speaking an element of the *administration* of IFAD. There are extensive requirements involved: to provide documentation, translation and interpretation, well-structured and serviced meetings, protocol support and communications. Given the scheduling of Replenishment meetings and the new responsibility to provide secretariat services to the Evaluation Committee, 2011 will be a particularly

intensive year. Nonetheless, in the context of the zero-based budget, the allocation to cluster 4 will be reduced in 2011 (see table 10).

Table 10

Indicative financial allocations for support to Members' governance activities

(Millions of United States dollars)

| | 2010 @ EUR 0.72:US\$1 | 2011 (including provisions for cost increases) @ EUR 0.72:US\$1 | Percentage change | Percentage real change (net of cost increases) |
|---|--------------------------|--|----------------------|---|
| Cluster 4 allocation | 10.81 | 10.52 | (2.7%) | (3.7%) |
| Cluster 4 allocation – share of total integrated administrative budget | 8.2% | 7.5% | (0.7%) | n/a |

Note: n/a: not applicable

Corporate cost centre

41. A corporate cost centre has been maintained within the administrative budget to cover expenditures that respond to corporate obligations but cannot be easily categorized to any particular cluster. The projected use of the corporate cost centre in 2011 has been limited to the following items: costs of the After-Service Medical Coverage Scheme (US\$674,000); depreciation charges to the administrative budget arising from capital expenditures authorized under the capital budget (US\$972,000); external audit fees (US\$237,000); maternity/paternity leave (US\$117,000); and contingencies (US\$100,000). The total indicative allocation to this cost centre in 2011 is US\$2.1 million.

C. Aggregate estimated administrative budget allocations for 2011

42. The total proposed value of the administrative budget for 2011 is US\$140.59 million, representing a real increase of 5.4 per cent (see table 11). Apart from materially very small increases in allocations to cluster 2 (less than originally proposed in the high-level preview) and the corporate cost centre (reflecting the rise in depreciation charges arising from the completion of projects under the capital budget), the increase is concentrated in the country programme development and implementation area, which is the absolute priority of both IFAD Management and the Executive Board (as expressed in the discussion of the high-level preview in September 2010). The projected efficiency ratio for 2011 is 14.1 per cent under the narrow measure and 9.4 per cent under the broad measure of the total programme of work (including additional funds directly managed by IFAD).

Table 11

Administrative budget requirement for 2011 and distribution by results cluster
(Millions of United States dollars)

| | | 2010 @ EUR 0.72:US\$1 | 2011 (including provisions for cost increases) @ EUR 0.72:US\$1 | Percentage nominal change | Percentage real change (net of cost increases) |
|---|---|--------------------------|--|---------------------------------|---|
| 1 | Country programme development and implementation | 76.68 | 86.36 | 12.6% | 11.4% |
| 2 | High-level policy dialogue, resource mobilization and strategic communication | 9.74 | 9.87 | 1.3% | 0.4% |
| 3 | Corporate management, reform and administration | 32.94 | 31.74 | (3.6%) | (4.7%) |
| 4 | Support to Members' governance activities | 10.81 | 10.52 | (2.7%) | (3.7%) |
| 5 | Corporate cost centre | 1.82 | 2.10 | 15.4% | 13.7% |
| | Total | 131.99 | 140.59 | 6.5% | 5.4% |

43. The allocation of the total administrative budget among departments and clusters is presented in annex VI. Cluster 1 is at the core of IFAD's activities, administrative budget and proposed budget increase. Table 12 presents the indicative distribution of the 2011 allocation for cluster 1 among IFAD's departments.² All departments are engaged to some degree in cluster 1 activities (e.g. in loan implementation, management of the arms-length quality assurance process and provision of legal support to project loan commitment and management). However, over 90 per cent of resources available under cluster 1 in the 2011 administrative budget would be allocated to PMD.

Table 12

Indicative distribution of the budget allocation to cluster 1 under the proposed administrative budget for 2011

| Department | 2010 (US\$ millions) | 2011 (US\$ millions) | 2010 (% of total) | 2011 (% of total) |
|--|-------------------------|-------------------------|----------------------|----------------------|
| Office of the Chief Development Strategist (CDS) | 0.11 | 0.51 | 0.1% | 0.6% |
| Corporate Services Support Group (CSSG) | 2.51 | 3.45 | 3.3% | 4.0% |
| Finance and Administration Department (FAD) | 1.79 | 2.39 | 2.3% | 2.8% |
| Office of the President and the Vice-President (OPV) | 0.71 | 0.84 | 0.9% | 1.0% |
| Programme Management Department (PMD) | 71.56 | 79.17 | 93.4% | 91.6% |
| Corporate cost centre | - | - | - | - |
| Total | 76.68 | 86.36 | 100.0% | 100% |

44. Table 13 presents the overall distribution of the proposed administrative budget for 2011 by department. Departmental increases reflect engagement in cluster 1 activities, with the exception of the very small amount received by CSSG under cluster 2 and FAD under cluster 4.

² IFAD's departmental structure was reconfigured on 1 January 2010. The approved 2010 administrative budget has been reconfigured in this table accordingly, to provide a comparison on a like-to-like basis between 2010 and 2011.

Table 13
Indicative distribution of the administrative budget by department

| <i>Department</i> | <i>Reconfigured 2010 @ EUR 0.72:US\$1</i> | <i>2011 (including provisions for cost increases) @ EUR 0.72:US\$1</i> | <i>Percentage change</i> | <i>Percentage real change (net of cost increases)</i> |
|--|---|--|------------------------------|---|
| Office of the Chief Development Strategist (CDS) | 2.70 | 3.07 | 13.7% | 13.3% |
| Corporate Services Support Group (CSSG) | 26.62 | 27.02 | 1.5% | 0.6% |
| Finance and Administration Department (FAD) | 26.00 | 25.86 | (0.5%) | (1.6%) |
| Office of the President and the Vice-President (OPV) | 3.29 | 3.37 | 2.4% | 1.1% |
| Programme Management Department (PMD) | 71.56 | 79.17 | 10.6% | 9.4% |
| Corporate cost centre | 1.82 | 2.10 | 15.4% | 13.7% |
| Total | 131.99 | 140.59 | 6.5% | 5.4% |

D. The nominal administrative budget for 2011

45. As clearly noted in the tables above, the 2011 administrative budget estimates and allocations are presented inclusive of forecast cost increases at the exchange rate used in the approved administrative budget for 2010. The final nominal budget proposed for 2011 must reflect the predicted average EUR/US\$ exchange rate for 2011. Upon finalization of IFAD's administrative budget proposal, the Bloomberg composite index for the predicted average exchange rate in 2011 was EUR 0.72:US\$1, the same rate used in the approved budget for 2010. Accordingly, the proposed nominal administrative budget for IFAD for 2011 is US\$140.59 million (see table 14).

Table 14
Factors contributing to the nominal level of the administrative budget: Price factors; exchange rates and real changes
(Millions of United States dollars)

| | <i>Nominal 2010 @ EUR 0.72:US\$1</i> | <i>Real increase</i> | <i>Price increase</i> | <i>Increase/decrease due to exchange rate variation</i> | <i>2011 @ EUR 0.72:US\$1</i> |
|------------------------------|--|--------------------------|---------------------------|---|----------------------------------|
| Administrative budget | 131.99 | 7.11 | 1.49 | - | 140.59 |
| Contribution to the increase | 100% | 5.4% | 1.1% | - | 106.5% |

E. Staffing levels

46. Staffing requirements to be supported by the 2011 administrative budget are presented by major organizational unit in tables 15 and 16. With the exception of data for PMD, which has been further strengthened, they are not directly comparable to previous years by virtue of the administrative reorganization announced at the December 2009 session of the Executive Board, effective as of 1 January 2010. Consistent with the general direction of the IFAD Strategic Workforce Plan submitted to the 101st session of the Executive Board, the number of staff funded under the administrative budget is projected to decline very slightly (actual numbers may vary as the second tranche of the Voluntary Separation Programme is implemented), while the number of staff in PMD is projected to rise, particularly in the country offices. In the 2010 approved budget, provision was made for the country office **workforce**, but the workforce at that time did not have **staff** status. The accelerated programme of absorbing elements of the country office workforce into staff conditions in 2010 and 2011 is reflected in the increase in PMD staff numbers, a significant part of which is accounted for by a change in contract type.

Table 15
Indicative staffing requirements, by major organizational unit
 (Full-time equivalents)

| | 2007 | 2008 | 2009 | 2010 | Percentage change 2007-2010 | 2011 | Percentage change 2010-2011 |
|--|--------------|--------------|--------------|--------------|-----------------------------------|---------------|-----------------------------------|
| Programme Management Department | 156.8 | 168.4 | 178.1 | 194.6 | 24.1% | 272.00 | 39.8% |
| Other departments | 289.5 | 281.7 | 276.3 | 275.4 | (4.9%) | 274.41 | (0.4%) |
| Breakdown of other departments in 2011: | | | | | | | |
| - Finance and Administration | | | | | | 116.86 | |
| - Office of the President and the Vice-President | | | | | | 10.25 | |
| - Corporate Services Support Group | | | | | | 137.30 | |
| - Office of the Chief Development Strategist | | | | | | 10.00 | |
| Total | 446.3 | 450.1 | 454.4 | 470.0 | 5.3% | 546.41 | 16.3% |

Note: To enable a comparison with prior-year numbers, the table excludes the positions of President and Vice-President.

47. Table 16 presents the projected staffing numbers under the administrative budget by the cluster in which their activities are located. Consistent with the thrust of financial allocations, the projected rise in staff numbers is almost exclusively in cluster 1.

Table 16
Indicative staffing allocations by cluster
 (Full-time equivalents)

| | 2010 | 2011 | Increase |
|---|---------------|---------------|--------------|
| Country programme development and implementation | 225.25 | 301.00 | 75.75 |
| High-level policy dialogue, resource mobilization and strategic communication | 45.45 | 45.45 | - |
| Corporate management, reform and administration | 139.12 | 139.12 | - |
| Support to Members' governance activities | 59.84 | 60.84 | 1 |
| Corporate cost centre | - | - | - |
| Total | 469.66 | 546.41 | 76.75 |

Note: Of the total proposed 2011 increase of 76.75 full-time equivalents (FTEs), 66.5 FTEs relate to national officers located in the field who were previously hired under consultancy contracts.

IV. Capital budget

48. The capital budget was introduced in 2008 with the primary aim of implementing multi-year information and communications technology (ICT) projects focused on enhancing administrative efficiency and effectiveness. As depreciation costs are charged to the administrative budget, all capital projects are ultimately funded out of the administrative budget.
49. The use of the ICT portion of the capital budget in completing multi-year projects has been categorized within five key initiatives: better loan and grant administration; better human resource management and administration; greater institutional efficiency; better reporting and management for country programme development and implementation (through the "Delivering as One" initiative); and a more robust IT infrastructure. The investment in non-IT capital projects has been modest to date (US\$550,000 in total).

50. Since 2008, IFAD Management has proposed relatively modest annual capital budget levels across ICT initiatives, involving a total of US\$9 million over a three-year period. This approach was adopted to ensure that IT investment did not occur before business process reform – and was aligned with the emerging direction of strategic workforce planning and corporate cost management.
51. Of the total capital resources approved in 2008-2010, amounting to US\$9.6 million (see table 17), the level of expenditure by end-2010 is projected to be approximately US\$4.3 million (see annex IX). The relatively low initial rate of expenditure has reflected the imposition of strict conditions for the release of approved project budgets associated with the policy of charging depreciation to the administrative budget and insistence on linkage to business process review. An amount of US\$329,000 was charged against the 2009 administrative budget for depreciation of assets in the form of completed capital budget projects, and it is estimated that an amount in excess of US\$600,000 will be charged in 2010 as more projects are completed.

Table 17

Capital budget approvals by thematic focus, 2008-2010

(Thousands of United States dollars)

| | 2008 | 2009 | 2010 | Total approved |
|------------------------------------|--------------|--------------|--------------|----------------|
| ICT initiatives | | | | |
| Loans and grants (LGS replacement) | 710 | 1 050 | 2 000 | 3 760 |
| Human resources (HR) reform | 134 | 541 | 400 | 1 075 |
| Institutional efficiency | 565 | 300 | 470 | 1 326 |
| Delivering as One | - | 440 | 300 | 740 |
| IT infrastructure | 600 | 1 200 | | |
| ICT initiatives subtotal | 2 000 | 3 531 | 3 530 | 9 061 |
| Non-IT headquarters projects | - | 550 | - | 550 |
| Total | 2 000 | 4 081 | 3 530 | 9 611 |

52. The total capital budget proposed for 2011, at US\$15.19 million (see table 18), is significantly higher than in the past, reflecting the maturation of ICT project preparation, urgent enhancements to the IFAD security infrastructure, and the need to accelerate ICT capital investment to eliminate business process bottlenecks. The main component (up to US\$12 million – see paragraph 53) is for the LGS replacement project, the preparation phase of which was financed under previous capital budgets, and which has reached a key phase where business processes have been determined and the IT investment with an external supplier can commence.

Table 18
Capital budget proposals for 2011
 (Thousands of United States dollars)

| <i>Initiative</i> | <i>Project</i> | <i>2011 proposed</i> |
|-------------------------------------|---|----------------------|
| IT projects 2008-2011 | | |
| Loans and grants | LGS replacement | 12 000 |
| Human resources reform | Automation/streamlining of HR processes | 500 |
| Institutional efficiency | CIAO replacement – interactive architecture | 260 |
| | Foundation for Information and Records Management | 1 163 |
| IT infrastructure | Business continuity/virtualization | 375 |
| Subtotal for IT projects | | 14 298 |
| Non-IT projects 2008-2011 | | |
| Headquarters security | Internal access control system | 535 |
| | External access and perimeter | 354 |
| Subtotal for non-IT projects | | 889 |
| Total | | 15 187 |

53. The following new ICT capital budget projects are proposed for financing under the capital budget:
54. **Loan and Grant System (LGS) replacement** (proposed 2011 allocation: up to US\$12 million). This is IFAD's single most significant IT and process reform initiative, involving the institution's core operational business process. As indicated in the comments of the external auditor and discussions with the Audit Committee, in addition to enhancing the efficiency and effectiveness of loan and grant administration, this project is essential to mitigate the material risk of errors in loan and grant disbursements occurring because of the current reliance on an out-of-date IT system. Due to the importance of this area, IFAD has explored various options in great depth in order to identify the best way forward, and over the last three years has invested significant time and resources with internal and external stakeholders to ensure the best approach is adopted (funds committed to date US\$1.2 million). A decision on the best approach has now been taken, and significant ICT investment expenditures are foreseen for 2011. The majority of the costs are still dependent on the outcome of negotiations with an external IT supplier, but it is envisioned that the 2011 request of US\$12 million would cover all remaining supplier costs as well as internal support costs during the main phase of implementation. In the event that actual costs vary materially from the US\$12 million level, Management would revert to the Executive Board accordingly with details of project savings or otherwise.
55. **Human resources reform** (proposed 2011 allocation US\$0.5 million: automation/streamlining of HR processes). The final phase of the administer consultants project has been completed and is now fully operational. In the previous year, it was proposed that the focus of capital investment in the HR area should be to ensure that workforce planning and recruitment be put on a stable platform linked to core corporate IT and management systems. After a detailed review of current HR processes, it is now proposed that this overarching vision be broadened to encompass other main HR functions including new items such as automation of staff performance (e-performance); upgrade to existing PeopleSoft HR platform to allow automatic population of HR databases from candidate resumes; automation of staff contract issuance; enhanced reporting to improve management decision process; and introduction of training and competency

modules within the system to manage the competency skill levels of each staff member.

56. **Institutional efficiency** (proposed 2011 allocation US\$1.163 million: CIAO replacement – interactive architecture; and Foundation for Information and Records Management). Of the five projects previously approved in this area, the travel and expenses, business intelligence reporting and PeopleSoft upgrade have been reprioritized in the light of cost-benefit considerations; and the document production management and Contact Information Available On-line (CIAO) replacement projects have been started after prolonged technical discussions and reviews of the project design and business case. In 2011, two new projects are proposed: one (Foundation for Information and Records Management) relating to improvement of IFAD's information management and internal and external dissemination platform, reflecting IFAD's need to better access information for management, advocacy, knowledge management and public disclosure; and the other to complete the second phase of the CIAO replacement project to ensure that the needs of all members are fully addressed.
57. **IT infrastructure** (proposed allocation US\$0.375 million: business continuity/virtualization). The replacement of desktop computers and laptops has been completed under previous projects. In relation to business continuity planning, the first phase was completed with an agreement with FAO for off-site data storage of weekly backup tapes produced by IFAD. The second phase, completed in 2010, involved the implementation of disaster recovery facilities at FAO and the automatic backup of computer hard disk drives. The current proposal in relation to the third phase of IFAD's evolving business continuity strategy involves the implementation of essential business continuity items that are currently not in place in IFAD, namely the ability to recover IFAD workstations remotely in the event of disaster impacting IFAD's data centre; introduction of a disaster recovery solution for IFAD's SWIFT payment system to allow cash transactions to occur in the event of a disaster impacting IFAD's headquarters building; enhancement of off-site tape generation systems to ensure that a more efficient and effective backup process is in place; introduction of a second web filter; the set-up of a second audio-video link to ensure communications can continue in the event that the primary system fails; and development of emergency kits for Management to ensure access to ICT systems.
58. **Headquarters security** (proposed allocation US\$889,000: internal and external access security). Following a United Nations Department of Safety and Security (UNDSS) review of IFAD's security measures and infrastructure, two non-ICT capital projects are proposed, to strengthen security management of circulation of staff and visitors within IFAD headquarters; and perimeter security management and screening of incoming parcels and goods.

V. Supplementary funds and associated management fees

59. Supplementary funds are provided under specific bilateral agreements with donors and fall outside the core programme of work and administrative budget. However, they are reported here for information purposes as the costs of administering supplementary funds are substantial, not least because of fragmentation, small average size, and the special reporting and management requirements of individual donors.
60. Administrative costs for the supplementary funds for 2010 are estimated at US\$5.80 million (see table 19). They are financed from the management fee for administration charged to supplementary funds, at a rate comparable to that charged by other international financial institutions (IFIs) and United Nations

organizations.³ It is estimated that the costs of supplementary fund administration in 2011 will be broadly equivalent to the 2010 level (before adjustments for inflation), and will be entirely covered from management fee income.

Table 19

Estimated costs of administration of supplementary and complementary funds
(Thousands of United States dollars)

| | 2007 | 2008 | 2009 | 2010 |
|--|-------|-------|-------|-------|
| Estimated administrative cost incurred by IFAD | 3 354 | 4 352 | 4 386 | 5 801 |

VI. Governing Council costs for 2011

61. Elements of the cost of holding the annual IFAD Governing Council meeting are provided for in the administrative budget. The host country has covered other elements of Governing Council costs. It has been indicated that this support will not be available in 2011, and IFAD Management is requesting that the Executive Board endorse a proposal to the Governing Council authorizing an extraordinary budget for 2011 to cover the absence of the customary contribution from the host country. The amount requested is US\$490,000, equivalent to EUR 350,000.

VII. Consultation on the Ninth Replenishment of IFAD's Resources

62. The Consultation on the Ninth Replenishment of IFAD's Resources (IFAD IX) will take place in 2011 and Management estimates it will cost up to US\$2.0 million (see table 20). All costs falling under the direct control of Management are lower than the Eighth Replenishment budget request. However, the IFAD contribution to the costs of the external chair and a possible external session cannot be definitively determined at this point. IFAD Management proposes that these costs be provided for within the total envelope of US\$2 million. Given the uncertainty about actual costs, Management would provide a report to the 104th session of the Executive Board in December 2011 on the uncommitted balance and proposals for reversion of all or part of the same to IFAD's general resources.

Table 20

Estimated budget for the Consultation on the Ninth Replenishment of IFAD's Resources

(Thousands of United States dollars)

| | IFAD VIII @ 0.737 | IFAD IX @ 0.722 |
|-----------------------------------|-------------------|-----------------|
| Language-related services | 600 | 508 |
| Staff costs | 450 | 190 |
| Administration, hospitality, etc. | 550 | 310 |
| External chair | - | 250 |
| External session | - | 542 |
| Contingency | 200 | 200 |
| Total | 1 800 | 2 000 |

³ The relevant President's bulletin determines either an upfront charge of 5 per cent of the total contribution plus complete interest retention or, in specific cases (for example, for donors who have a policy constraint on interest retention), an upfront charge of 10 per cent of the total contribution, with interest reverting back to the account or the donor, depending on the agreement between the donor and IFAD. If the supplementary fund is greater than US\$6 million, a cap of US\$300,000 will be applied.

Part two – IFAD Office of Evaluation’s results-based work programme and budget for 2011 and indicative plan for 2012-2013

I. Introduction

63. As requested by the Executive Board, this is the third three-year rolling evaluation work programme prepared by the IFAD Office of Evaluation (IOE). The document contains a proposal for IOE’s work programme and budget for 2011 and indicative plan for 2012-2013.
64. This proposal comes at a crucial time of evolving development challenges, major corporate reforms in IFAD and internal changes within IOE resulting from the Peer Review of IFAD’s Office of Evaluation and Evaluation Function.⁴ This changing internal and external environment will require more than a "business as usual" approach by the division.
65. The preview of IOE’s results-based work programme and budget for 2011 and indicative plan for 2012-2013 was discussed during the Evaluation Committee’s sixty-third session in July 2010 and also at the Audit Committee meeting and Executive Board session held in September 2010. After further discussion with the Evaluation Committee at its October 2010 session, IOE’s proposed results-based work programme and budget for 2011 and indicative plan for 2012-2013 was discussed by the Audit Committee in November 2010 and the Executive Board at its December 2010 session, together with IFAD’s administrative budget for 2011.

II. Summary

66. The Evaluation and Audit Committees and the Executive Board all broadly agreed with IOE’s proposed objectives, divisional management results (DMRs), work programme and budget.
67. In considering the preview document, the Evaluation and Audit Committees and the Board made a number of comments for IOE to bear in mind in preparing the final submission, specifically the need to (i) define indicators to track progress in achieving the DMRs; (ii) illustrate the methods and processes for undertaking the validation of project completion reports (PCRs) and project performance assessments (PPAs); (iii) identify more clearly the savings and efficiency gains generated by IOE; and (iv) include a comparison between the evolution of the administrative budget of IFAD and that of the IOE administrative budget.
68. In response to these comments, IOE has: (i) developed 16 indicators to monitor performance against the DMRs (see annex XIV, table 1); (ii) provided a summary of the methodology that the division has developed, with inputs from colleagues at the African Development Bank (AfDB), Asian Development Bank (AsDB) and World Bank for PCR validation and PPAs (see annex XVIII); (iii) underlined the savings and efficiency gains in section VIII; and (iv) added a historical comparison of its budget against IFAD’s annual administrative budget (see table 21).
69. The total budget now proposed by IOE for 2011 is around US\$5.88 million – reflecting a further reduction in real terms with respect to the proposal contained in the preview document. This represents a decrease of 6.3 per cent in real terms against the 2010 budget. As shown in table 21 and figure 2, the proposed IOE budget is shrinking over time as a proportion of IFAD’s administrative budget and is well within the cap established by the Executive Board, which has also been decreasing consistently for the past four years.

⁴ The Peer Review was undertaken by the Evaluation Cooperation Group (ECG) of the multilateral development banks, and the final report was presented to the Executive Board in April 2010.

III. An evolving environment

70. This results-based work programme has been developed after carefully considering key changes in the external context that have implications for IOE, the evolving strategic directions within IFAD and the implications of the Peer Review.⁵
71. **Changes in external environment.** External changes have had implications for IOE. These include greater attention to joint evaluations as a result of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; the consequences of climate change for the operations funded by IFAD; and the growing diversity among IFAD's borrowing Member States (e.g. lower-middle-income, middle-income and upper-middle-income countries; and fragile states including countries affected by conflict and natural disasters and highly indebted countries).
72. In response to these changes, IOE plans to undertake joint evaluation activities with the AfDB and the Food and Agriculture Organization of the United Nations (FAO) next year. It will work towards enhancing its methodology to better capture climate change and gender issues in project evaluations and country programme evaluations (CPEs). It will also conduct CPEs that cover a diverse set of country contexts, including fragile states and low-income countries.⁶ Details of the planned activities in these areas are provided in section VI.
73. **Major internal corporate reform initiatives at IFAD.** These entail the imminent introduction of a new corporate strategic framework for 2011-2015, the preparation of a medium-term plan for 2010-2012, human resources reform, zero-based budgeting, wider country presence, greater attention to knowledge management and scaling up, and more efforts devoted to self-evaluation. All these initiatives have implications for IOE.
74. The draft new strategic framework for 2011-2015 stresses the importance of enabling the rural poor to improve their lives by building viable and sustainable rural farm and non-farm enterprises that provide higher incomes and greater employment opportunities. Agribusiness, value chains, market access and wealth creation will therefore be important topics for IOE to consider in developing its evaluation work programme in the coming years.
75. The medium-term plan is the first of its kind for IFAD and provides a medium-term perspective of the programme of work (i.e. loans and grants). It also serves to align IFAD's available resources (both human and financial) to deliver the planned programme of work. In 2009, IOE introduced the practice of preparing a three-year rolling work programme similar to the medium-term plan model.
76. With regard to IFAD's administrative budget for 2011, IOE's budget proposal for next year is based on the zero-based budget approach. This approach aims to ensure that the budget is focused on providing the appropriate size and type of workforce as well as the financial allocations necessary for delivering the planned work programme in an effective and timely manner.
77. The Fund's administrative budget is earmarked against 10 corporate management results (CMRs) and illustrates the amount of administrative resources used to achieve each CMR. IOE has followed a similar approach in preparing its 2011 work programme and budget, by defining eight specific divisional management results (DMRs) and showing how the division's overall budget will be allocated to meet each DMR (see annex XVI, table 3).
78. IFAD's self-evaluation system is gradually improving from a low base, even though its quality still varies greatly across regions and countries. In this regard, it is important for IOE to continue working closely with Management, for example by

⁵ See annex VII for the recommendations of the Peer Review and IFAD's governing bodies on IOE's work programme and budget.

⁶ IOE has recently concluded CPEs in two middle-income countries (Argentina and India).

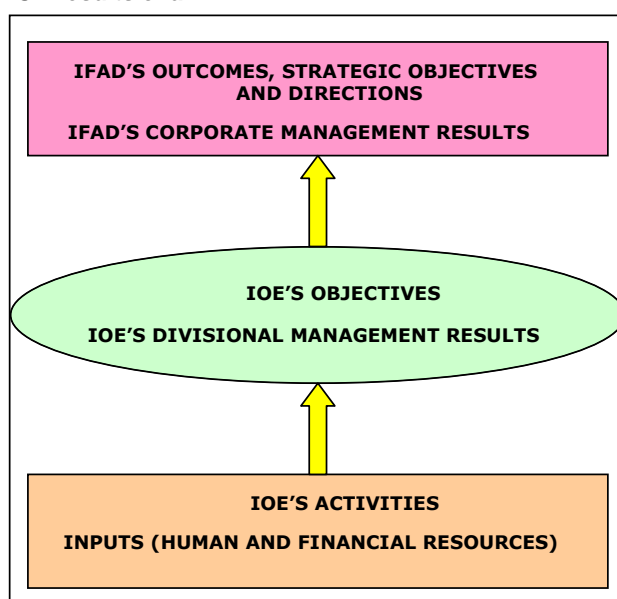
evaluating selected components of the self-evaluation system – such as the quality enhancement and quality assurance processes, supervision and implementation support – and by providing comments on the annual Report on IFAD’s Development Effectiveness (RIDE).

79. A number of core issues are likely to receive attention during the Consultation on the Ninth Replenishment of IFAD’s Resources in 2011. These include results measurement, direct supervision and implementation support, country presence, scaling up, gender, engagement of the private sector and efficiency. IOE needs to take these issues into account in developing its work programme, as it may need to contribute to the debate on these or other topics during the Ninth Replenishment Consultation.
80. **Peer Review of IFAD’s Office of Evaluation and Evaluation Function and the implications for IOE.** The Peer Review made a number of recommendations with important implications for IOE, the Evaluation Committee and IFAD Management.
81. Key recommendations affecting IOE’s future evaluation work are: (i) change IOE’s product mix to devote proportionately more resources to higher-plane evaluations, which include corporate level-evaluations (CLEs) and country programme evaluations (CPEs); (ii) change the approach to project evaluation as previously conducted, by undertaking from 2011 onwards the validation of PCRs and conducting PPAs on a selective basis; (iii) enhance knowledge management to strengthen the evaluation learning loop; and (iv) improve IOE efficiency by using more cost-efficient approaches, while enhancing quality and effectiveness, in carrying out the IOE work programme. Annex XVII provides a table with the Peer Review recommendations on IOE’s work programme and budget, and how IOE plans to act upon them.

IV. IOE’s results chain

82. The Peer Review suggested that IOE harmonize its budget presentation with that of IFAD’s administrative budget. To achieve this, IOE has followed the zero-based budget approach in developing its 2011 administrative budget, and linked its resource requirements to the specific results that it aims to achieve. The IOE results chain is displayed in figure 1.
83. As indicated in Figure 1, IOE’s human and financial resources will provide the required inputs for the division’s evaluation activities. These activities and the corresponding outputs will allow IOE to achieve its DMRs (annex XIV presents the specific indicators for tracking progress). These will, in turn, enable IOE to meet its own objectives (see paragraphs 84-85) and contribute to the achievement of IFAD’s CMRs and overall strategic objectives and outcomes.

Figure 1
IOE results chain



84. IOE's overarching purpose is to contribute, through its evaluation work, to enhancing the Fund's development effectiveness. Therefore, for 2011 and its indicative plan for 2012-2013, IOE proposes the following two strategic objectives:
- (a) **Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations.** This objective reflects the twofold purpose of the independent evaluation function at the Fund, namely to promote not only accountability and results assessment, but also learning to improve the performance of IFAD-funded policies and operations.
 - (b) **Strategic objective 2: Promote effective knowledge management and learning.** The aim of this objective is to enhance evaluation feedback on cross-cutting contemporary themes and issues of corporate priority and interest to IFAD and the development community at large. The knowledge management and learning activities proposed under this strategic objective therefore are more wide-ranging than the learning promoted under strategic objective one, which is specific to individual country programmes and/or projects financed by IFAD.
85. In support of these objectives, IOE has identified the following operational objectives.
- (a) **Operational objective 1: Enhanced IOE efficiency.** More robust internal financial systems and administrative processes are critical to enhancing efficiency and delivering the annual work programme in a timely manner.
 - (b) **Operational objective 2: Methodology development.** Expand further IOE's methodology to address changes in the environment and contribute to strengthening IFAD's self-evaluation systems to facilitate independent evaluations.
86. The operational objectives can be considered as "the nuts and bolts" of IOE's work, and therefore are fundamental to achieving the two strategic objectives. In order to measure IOE's performance in achieving its objectives and DMRs, 16 performance indicators⁷ have been identified (see annex XIV, table 1) following a review of the

⁷ In 2011, IOE will further develop and fine-tune its results measurement framework as required, inter alia, by introducing baselines (based on 2011 activities) and targets that will be used to track performance against the indicators defined.

results measurement framework of other evaluation outfits. IOE will report every year to the Evaluation Committee and the Executive Board on the progress made. This will be done in the context of its annual work programme and budget document.

87. In line with IFAD's results-based budget approach, the 2011 IOE budget (staff and non-staff costs) has been earmarked against each DMR and each strategic and operational objective (see annex XVI, table 3 for details).

V. Highlights of 2010 work programme

88. Overall, by the end of 2010, IOE expects to have implemented all the activities planned in the 2010 work programme (see annex XI for details).⁸
89. **Conducting of selected corporate-level, country programme and project evaluations.** IOE completed the CLE on IFAD's capacity to promote innovation and scaling up in the first part of the year. Various outreach activities related to the AfDB-IFAD joint evaluation of their agriculture and rural development policies and operations in Africa (completed in December 2009) are being conducted. The CLE on gender equality and women's empowerment will be presented to the Evaluation Committee and Executive Board before the end of 2010. IOE is also working on the CLE of IFAD's Private-Sector Development and Partnership Strategy, which will be completed in 2011.
90. IOE finalized the Mozambique CPE by organizing a national round-table workshop in Maputo in May, which the Evaluation Committee attended as part of its 2010 annual country visit. The Argentina CPE has been completed and the national round-table workshop was organized in June 2010. The Niger CPE will be finalized before the end of the year. The CPEs in Kenya and Yemen are under way, but at different stages. IOE is now starting the CPEs in Ghana, Rwanda and Viet Nam, which will be completed in 2011. IOE has also provided inputs to the self-evaluation of the country programme in China by the Asia and the Pacific Division.
91. IOE is working on six project evaluations – in Brazil, the Dominican Republic, Ghana, the Lao People's Democratic Republic, Rwanda and the United Republic of Tanzania – which will be completed before the end of the year.
92. **Specific evaluation work required by the IFAD Evaluation Policy and the Terms of Reference of the Evaluation Committee.** The 2010 Annual Report on Results and Impact of IFAD Operations (ARRI) is under preparation, and will be discussed by the Evaluation Committee and the Executive Board before the end of 2010. In addition to providing an account of the performance and impact of IFAD's projects and programmes, this year's document focuses on only one learning theme: efficiency of IFAD operations.
93. So far in 2010, IOE has organized four formal sessions of the Evaluation Committee, in addition to an informal session (related to the Mozambique country visit) and an orientation session for new members.
94. **Evaluation outreach and partnerships.** Representatives of IOE took part in the 2010 annual general meeting of the United Nations Evaluation Group (UNEG), and are involved in a number of UNEG task forces.⁹ IOE participated in the biannual meetings of the Evaluation Cooperation Group (ECG) of the multilateral development banks and the Network of Networks on Impact Evaluation (NONIE). The third phase of the partnership agreement between IOE and the Swiss Agency for Development and Cooperation (SDC) is under implementation.¹⁰ IOE staff participated in selected in-house committees and platforms, such as the Operational Strategy and Policy Guidance Committee (OSC) and country

⁸ Including reasons for any delay.

⁹ On impact evaluation, assessment of the evaluation function, and evaluation capacity development.

¹⁰ In 2010, IOE expects to receive up to CHF 400,000 in supplementary funds under the partnership with SDC.

programme management teams (CPMTs), to ensure that lessons learned from evaluations are adequately internalized into new IFAD policies, strategies and projects.

95. **Evaluation methodology and effectiveness of IOE.** The division continues to undertake internal peer reviews for each evaluation and has made use of senior independent advisers on a selective basis to provide comments on key evaluation outputs. As part of its evaluation capacity development efforts in borrowing Member States, IOE has been invited to a seminar in October by the Asia-Pacific Finance and Development Center in China to present its evaluation methods and processes. The final report of the Peer Review was completed at the beginning of 2010. The Peer Review process absorbed significantly more IOE staff time than initially anticipated.
96. **Additional activities undertaken by IOE in 2010.** IOE has already taken steps towards implementing the main Peer Review recommendations. These consist of:
- (a) **Transforming its approach to project evaluations.** This involves adapting the approach to project evaluations by introducing PCR validations and PPAs. Using supplementary funds, a pilot project was implemented for the introduction of PCR validations¹¹ and PPAs.¹² The aim of the pilot was to test the methodology for PCR validation and PPA that IOE had developed earlier in the year with the support of the World Bank, AfDB and AsDB, as well as to discern the corresponding level of effort required. The results from the pilot are being used to fine-tune the methodology for its full implementation next year. A short note on key elements of the methodology and process for PCR validations and PPAs is provided in annex XVIII.
 - (b) **Measures to strengthen IOE's financial systems, human resource management and administrative processes: allocating a 50 per cent share of an IOE Professional staff member's time to financial and administrative functions in 2010.** Taking into account the recommendations of the Peer Review, this staff member has developed and to a large extent already implemented an activity plan to enhance IOE's financial systems, human resource management and administrative processes. The main elements of the plan are included in annex XI.

VI. The results-based work programme for 2011 and indicative plan for 2012-2013

97. This section charts the proposed activities to enable IOE to achieve its DMRs and strategic and operational objectives. Details of the proposed evaluations for 2011 and the indicative plan for 2012-2013 are provided in annex XII.
- Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations**
98. **DMR 1: High-quality ARRI and CLEs that provide building blocks for the development and implementation of better corporate policies and processes.** In 2011, under this DMR, IOE will complete the CLE on IFAD's Private-Sector Development and Partnership Strategy, prepare the ninth edition of the ARRI and undertake the CLE on efficiency. The latter will cover IFAD's overall institutional efficiency as well as the efficiency of IFAD-financed operations.
99. The indicative plan for 2012-2013 includes the preparation of the tenth and eleventh editions of the ARRI, as well as the undertaking of three further corporate-

¹¹ Azerbaijan Rural Development Programme for Mountainous and Highland Areas, the Plurinational State of Bolivia Small Farmers Technical Assistance Services Project (PROSAT), Burkina Faso Rural Microenterprise Support Project, Jordan Yarmouk Agricultural Resources Development Project and Zambia Smallholder Enterprise and Marketing Programme.

¹² Jordan Yarmouk Agricultural Resources Development Project.

level evaluations on: (i) supervision and implementation support of IFAD-financed projects in 2012; (ii) the revised IFAD Policy on Grant Financing in 2013, as decided by the Board in December 2009; and (iii) IFAD's policy dialogue approaches and results in 2013.

100. As required by the Terms of Reference of the Evaluation Committee, IOE will prepare written comments on selected corporate policy proposals submitted by Management to the Board. At this stage, IOE foresees that in 2011 it will be required to review and prepare comments on corporate policies/strategies developed by Management on country presence, gender and the private sector.
101. **DMR 2: High-quality CPEs that serve as building blocks for better results-based country strategic opportunities programmes (COSOPs).** Under this DMR, IOE will complete the CPEs in Ghana, Rwanda, Viet Nam and Yemen. The division will commence CPEs in Haiti, Jordan, Nepal and Uganda for completion in 2012. The indicative plan for 2012-2013 also includes the options of undertaking CPEs in the Plurinational State of Bolivia, Burkina Faso, Cambodia, Ecuador, Guatemala, Madagascar, Mauritania, the Philippines, Senegal, the Syrian Arab Republic and the United Republic of Tanzania. As in the past, priority will be given to countries with large portfolios and where the regional division intends to develop a new COSOP after the CPE is completed.
102. **DMR 3: Project evaluations that contribute to better IFAD-supported operations.** This will be accomplished by undertaking PCR validations and PPAs. These will enable IOE to achieve the same objectives covered by the project evaluations carried out in the past in terms of assessing results and generating lessons. In 2011, in line with the practice in other international financial institutions, IOE plans to conduct about 25 PCR validations. This figure is based on the total number of PCRs that the Programme Management Department (PMD) anticipates (at this stage) to complete in 2011. Moreover, it is proposed that PPAs be undertaken for about 25 per cent of closed projects, which will mean conducting about six PPAs in 2011. Based on the experience of the pilot project, IOE has developed criteria for selecting which projects should undergo the PPA process (see annex XVIII). Moreover, as mentioned in paragraph 72, IOE and the Operations Evaluation Department (OPEV) of the AfDB will undertake a joint PPA of the Rural Financial Services Project cofinanced by IFAD and AfDB in Ghana. Finally, IOE will continue to evaluate projects – by means of PPA – within the framework of the CPEs that it conducts. In this regard, based on historical data, it is anticipated that between six and eight additional PPAs will be carried out during each CPE planned.

Strategic objective 2: Promote effective knowledge management and learning

103. **DMR 4: Production of evaluation syntheses and ARRI learning themes.** In order to enhance its engagement with IFAD knowledge management, in 2011 IOE will start preparing evaluation syntheses. These will identify and capture evaluative knowledge and lessons learned on a certain topic from a variety of evaluations produced by IFAD and the evaluation units of other organizations. These syntheses will be supplemented by lessons from academic literature and targeted interviews to promote learning and the use of evaluation findings. IOE proposes to prepare two syntheses in 2011, on: (i) refining IFAD's development and targeting strategies to support poor smallholder farmers; and (ii) direct supervision and implementation support of IFAD-financed activities. IOE will explore opportunities to collaborate with other development organizations in the preparation of selected evaluation syntheses.
104. The division will continue its in-depth analysis of a specific learning theme in each edition of the ARRI (for example, the theme selected in 2010 ARRI is the efficiency of IFAD operations). The proposal for next year's theme will also be included in this year's report.

105. **DMR 5: Systematic communication and outreach of IOE's work.** Activities under this DMR include the dissemination of electronic copies of evaluation reports and evaluation Profiles¹³ and Insights¹⁴ to Executive Board representatives and IFAD Management, rather than following the past practice of distributing printed copies of the report to multiple audiences. This change has been introduced as a cost-saving measure. IOE will continue to send printed copies of these products to governments and partners in developing countries only. Efforts will be made to regularly update the evaluation section of the IFAD website. Evaluation reports will also be made available through external websites, such as those maintained by the ECG, UNEG and IFAD's regional knowledge networks.¹⁵
106. Other outreach activities will entail the organization of a learning workshop on the main findings emerging from the CLE on gender in collaboration with FAO, which is currently undertaking an evaluation of its role and work in gender and development. In-country learning workshops will be organized for each CPE undertaken to discuss evaluation results and lessons learned with multiple stakeholders. As in the recent past, learning workshops will be held with greater support from the governments concerned. This will help lower the costs for IOE and enhance country ownership and follow-up.
107. IOE will continue to participate in IFAD's internal platforms (e.g. OSC and CPMT) to improve the understanding of evaluation lessons and recommendations. Furthermore, IOE will participate in in-house quality enhancement and quality assurance groups, as a way of ensuring that evaluation-based knowledge informs the design of new policies, strategies and operations.
108. As in 2010, quarterly meetings will be held between IOE and the Office of the President and Vice-President to exchange information and share knowledge on emerging evaluation issues. With regard to CLEs, given their institution-wide implications, informal seminars will be organized with Board members before the final reports – including the private-sector CLE – are considered by the Board.
109. IOE will take active part in the discussions of UNEG, ECG and NONIE. Moreover, selectively, IOE will attend key international and regional conferences on evaluation, including those organized by evaluation societies and associations (e.g. the African Evaluation Association and the European Evaluation Society) to exchange knowledge and lessons learned, remain engaged in the international debate on evaluation, and network with other evaluators.
110. IOE will continue to strengthen its partnership with SDC, which will allow it to pilot innovative evaluation methods and processes that cannot be financed through its regular administrative budget (see paragraph 94).

Operational objective 1: Enhanced IOE efficiency

111. **DMR 6: More efficient financial, human resource and administrative management.** As recommended by the Peer Review, in 2011 the division will continue implementing various activities included in the plan to strengthen its financial and administrative management (see paragraph 96(b)). The activity plan will be completed and its results will be mainstreamed into IOE's regular operations. The supervision of the improved financial and administrative processes will require allocating 50 per cent of a Professional staff member's time for the duration of 2011.

¹³ Evaluation Profiles are two-page summaries of the main conclusions and recommendations arising from each IFAD evaluation. They provide a sample of evaluation results and an incentive for readers to delve deeper and follow up on interesting issues in the full report.

¹⁴ Evaluation Insights focus on one learning issue emerging from corporate, thematic, or country programme evaluations. The hypothesis presented in the insights will form the basis for debate and discussion among development professionals and policymakers within IFAD and outside the institution.

¹⁵ Such as ENRAP and FIDAMERICA.

112. Moreover, in response to the Peer Review's suggestion to strengthen the skill sets of IOE staff, a training working group has been set up in the division. The role of the group is to identify individual and collective training requirements and organize corresponding training events. Using supplementary funds, IOE will continue to send staff to attend evaluation training courses such as the International Program for Development Evaluation Training (IPDET) organized by the World Bank and Carleton University, and the course on international development evaluation organized by King's College London. IOE will also participate in relevant corporate training programmes organized by the Human Resources Division.
113. Finally, next year IOE will prepare the results-based work programme and budget for 2012, together with the indicative plan for 2013-2014. As mentioned in paragraph 86, this document will report on the achievement of the four divisional objectives and eight DMRs. The document will also summarize the main opportunities and challenges faced in implementing the annual work programme and budget.

Operational objective 2: Methodology development

114. **DMR 7: Methodology development for independent evaluation work.** The following activities are planned:
- (a) As next year will be the first year of implementing PCR validations and PPAs, IOE will take stock of the experience and enhance its methodology as required.
 - (b) IOE will continue to adapt the evaluation methodology to cater for key emerging issues (such as gender, climate change and scaling up) and to invest efforts and resources in understanding the proximate causes of performance (i.e. the "why factor").
 - (c) IOE's active participation in ECG, UNEG, NONIE and other evaluation platforms (see paragraph 109) will contribute to achieving this DMR because these platforms enable IOE to keep in step with evolving approaches in the international arena for state-of-the-art independent evaluation methodology.
115. **DMR 8: Support to the self-evaluation function of IFAD and its Member States.** In 2011, IOE will work with Management to further harmonize IFAD's self-evaluation and independent evaluation methodologies and processes. In particular, the introduction of the new Evaluation Manual in 2009 and the forthcoming PCR validations and PPAs by IOE will require adjustments to IFAD's PCRs, its supervision guidelines and the other building blocks of the self-evaluation system. In this regard, a new harmonization agreement¹⁶ will be signed in 2011 between IOE and IFAD Management. This will document, among other issues, the respective roles and responsibilities of IOE and Management in ensuring an effective and efficient evaluation system within IFAD.
116. As in the past, IOE will review and prepare comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the RIDE. It will also continue to assess the quality of monitoring and evaluation systems at the project and country level through its regular evaluation work and participate in any in-house task forces on results measurement.
117. IOE will contribute to enhancing the evaluation capabilities of Member States by supporting evaluation capacity development to a level commensurate with its priorities and available resources. IOE will continue to strengthen its partnership with the Asia-Pacific Finance and Development Center in China.

¹⁶ The previous agreement was signed in 2006.

VII. One-time activities in 2011

118. Subject to the agreement of the Evaluation Committee at its sixty-fourth session in October 2010, there are two major “one-time” tasks that IOE will have to undertake as part of the action plan for the implementation of the Peer Review recommendations. These are: (i) preparation of the revised IFAD Evaluation Policy; and (ii) review and provision of comments on the enhanced Terms of Reference and Rules of Procedure of the Evaluation Committee to be prepared by IFAD Management. Both these documents will be considered by the Evaluation Committee and then presented for the Executive Board’s approval in May 2011.

VIII. 2011 resource issues

A. A reduced 2011 budget

119. **Savings.** IOE’s concerted efforts to generate financial savings have made it possible to propose a reduced budget for 2011. In a number of areas, changes in past practices have resulted in savings. Some examples are: requesting governments to share the cost of organizing simpler and less costly learning workshops at the end of CPEs, eliminating the financial allocation for the annual country visit of the Evaluation Committee, transferring the main responsibilities for organizing Evaluation Committee sessions to the Office of the Secretary, and disseminating final evaluation reports and related deliverables in electronic rather than printed format.¹⁷ Savings have also been generated by changing the mode of project evaluation through the introduction of PCR validation and PPAs. IOE’s new approach to project evaluation has also led to efficiency gains, which will be discussed later (in paragraph 127).
120. **Budget.** Using the inflation factor of 1.4 per cent for non-staff costs, the standard position cost and the exchange rate US\$1 = EUR 0.72 suggested by the Strategic Planning and Budget Division and applied by the Fund in developing its 2011 annual administrative budget, IOE’s budget proposal for 2011 is US\$5.88 million (see annex XVI). This reflects a decrease of 6.3 per cent (US\$390,000) in real terms or 5.4 per cent in nominal terms with respect to IOE’s 2010 budget. This proposal reflects a further reduction in real terms on the budget proposal contained in the preview document.
121. The proposed IOE budget for 2011 is smaller than in 2009 and 2010. It is also well within the cap established by the Executive Board.¹⁸ Taking 2006 as the starting year, that cap has been decreasing consistently, although 2007 was an anomalous year in this respect.¹⁹ Using another indicator, namely the ratio of IOE’s annual budget in relation to IFAD’s administrative budget, it is evident that the proportion of IOE’s budget has been decreasing since 2009. Details of the evolution of the IOE budget are provided in table 21 and figure 2 below. The proposed IOE 2011 budget is presented, as in the past, by cost category in annex XVI, tables 1 and 2. In the same annex, table 3 illustrates IOE’s results-based budget, in which the total resources required in terms of both staff and non-staff have been earmarked against the eight DMRs. The total resources required to achieve each strategic and operational objective are shown in the same table. Finally, in addition to the savings generated by IOE, efficiency gains have also been achieved. These are discussed in paragraphs 127-132.

¹⁷ In this regard, however, IOE will continue to share printed copies only with partners in the relevant developing countries.

¹⁸ In December 2008, the Board decided that the total IOE budget should remain within 0.9 per cent of IFAD’s annual programme of work.

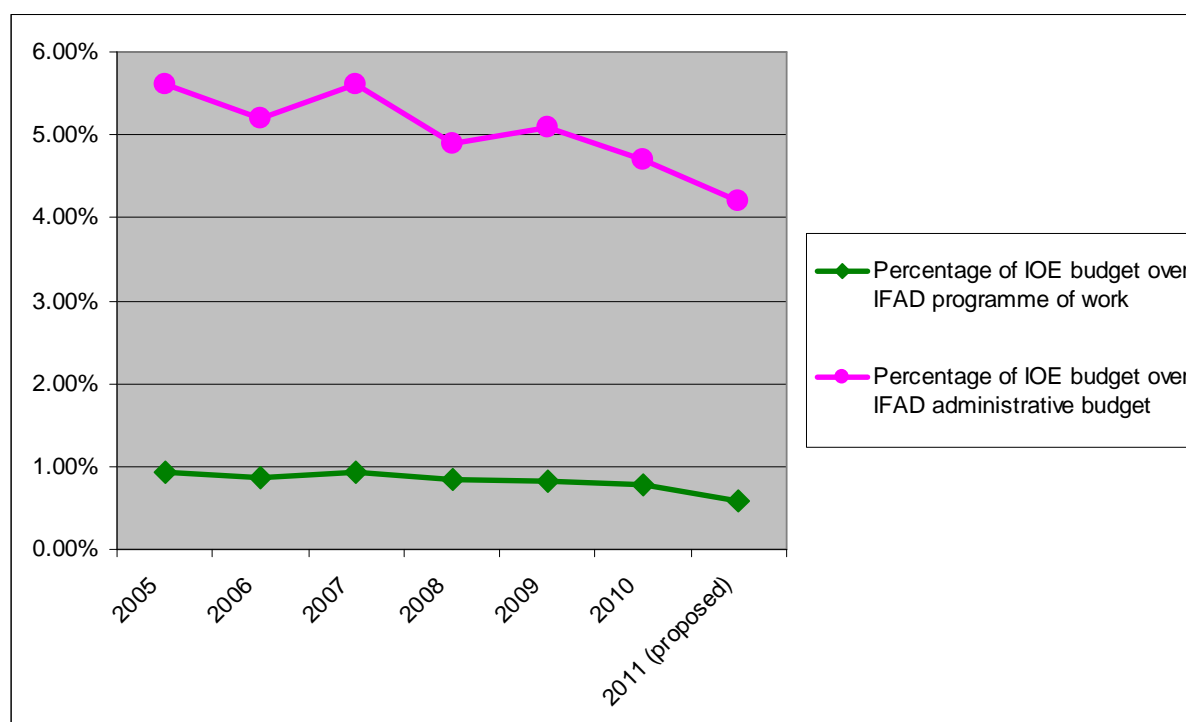
¹⁹ Additional resources were required for the implementation of the “one-time” joint evaluation with the AfDB on agriculture and rural development in Africa.

Table 21
IOE budget as a percentage of IFAD's programme of work and IFAD's administrative budget
(In millions of United States dollars)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 (proposed) |
|---|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| IOE budget | 4.69 | 4.79 | 5.69 | 5.47 | 5.85 | 6.22 | 5.88 |
| IFAD administrative budget | 83.2 | 91.5 | 101.3 | 111.1 | 115.3 | 131.99 | 140.59 |
| IFAD programme of work | 500 | 550 | 605 | 650 | 715 | 800 | 1 000 |
| Percentage of IOE budget over IFAD programme of work | 0.94% | 0.87% | 0.94% | 0.84% | 0.82% | 0.78% | 0.59% |
| Percentage of IOE budget over IFAD administrative budget | 5.6% | 5.2% | 5.6% | 4.9% | 5.1% | 4.7% | 4.2% |

122. Figure 2 shows the trend in IOE's budget compared with IFAD's programme of work and administrative budget in the last years.

Figure 2
Trend in the IOE budget compared with IFAD's programme of work and administrative budget



123. In sum, the proposed 2011 IOE budget reflects a reduction in terms of: (i) the absolute amount compared with the 2010 budget; (ii) the ratio between the IOE budget and the IFAD administrative budget; and (iii) the ratio between the IOE budget and the IFAD programme of work.

B. Human resource requirements

124. Despite the growth in overall staff costs (see annex XVI) fuelled by the increase in the standard position cost suggested by the Strategic Planning and Budget Division, IOE is not requesting an increase in the total number of staff members at its

disposal. Next year, IOE plans to work with the same level of human resources as in 2010. More specifically, the division will require 19.5 staff positions (see table 22 below). Further details of the composition of IOE's human resources are given in annex XV.

Table 22
IOE staff levels

| 2007 level | 2008 level | 2009 level | 2010 level | 2011 | | |
|------------|------------|------------|------------|--------------------|-----------------------|-------|
| | | | | Professional staff | General Service staff | Total |
| 20 | 18.5 | 19.5 | 19.5 | 11.5 | 8 | 19.5 |

C. A larger 2011 work programme with less resources

125. Comparing IOE work programmes across the years can be challenging, given the multiple variables that need to be considered. However, as requested by the Board, IOE has attempted to make a comparative analysis of the size of its 2010 work programme, and the planned 2011 work programme. This has been done by calculating the total full-time equivalent for each evaluation²⁰ based on the total number of Professional staff working days required to implement the various evaluation activities in the 2010 and 2011 work programmes, respectively. This analysis reveals that the planned 2011 work programme is larger than that of 2010 and will require, cumulatively, 2,576 Professional staff days for implementation, as compared to the 2,310 days required in 2010. Annex XIX provides details of how the comparison between the 2010 and 2011 was done.
126. This conclusion should be viewed against an overall level of resources that is lower or equal to last year, as shown by: (i) the requested 2011 budget, which is 6.3 per cent smaller in real terms than the 2010 budget; (ii) the unchanged number of IOE staff with respect to 2010; and (iii) the resources allocated for mobilizing consultancy services – the most significant component of IOE's non-staff budget (annex XVI, table 1) – being lower in real terms in 2011 than in 2010. The measures that will allow IOE to do more with less are discussed in the following paragraphs.
127. First, as mentioned earlier, the transformation of IOE's project evaluation approach (by undertaking PCR validations and PPAs) will allow IOE to continue to meet its project evaluation objectives. Total efficiency gains quantified from this transformation are around US\$420,000 and 40 days in Professional staff time in 2011.
128. Over the last months of 2010, IOE has been experimenting with organizing simpler and less costly evaluation learning workshops. One new measure is for governments to take the lead in organizing and sharing the costs of such workshops. The efficiency gains in dollar terms can be quantified at around US\$20,000 per workshop.
129. As recommended by the Peer Review, starting from the Evaluation Committee session in November 2010, IOE will no longer prepare executive summaries for evaluation reports being presented to the Evaluation Committee and Executive Board. Their preparation absorbs a significant amount of staff time and, given the relative brevity of the summaries, they do not always satisfy the requirements of members. Total savings are quantified at around 10 working days per evaluation presented or 40 working days in terms of staff time per year.

²⁰ An evaluation that is entirely implemented within a calendar year from January to December represents one full-time equivalent. However, this is rarely the case as evaluations normally start or end at different times in a given year: a CPE in country X could start, for example, in October 2010 and be completed in December 2011. Using this example, the full-time equivalent for this CPE would be more or less 0.2 in 2010 and 0.8 in 2011.

130. Efficiency gains are being achieved through a clearer division of labour between the consultants' team leader and the lead evaluation officer that eliminates all possible duplication of tasks in the evaluation process. In particular, consultants will no longer be required to write the evaluation report; this task will now be the responsibility of IOE staff.²¹
131. In 2010, one IOE staff member underwent training in desktop publishing. This has enabled IOE to internalize the costs previously incurred (i.e. US\$4,500 per year) when graphic design tasks were outsourced.
132. Finally, a more systematic use of the Evaluation Manual is generating efficiency gains. In addition to contributing to better quality and greater comparability across evaluations, the manual allows staff and consultants to become acquainted more rapidly with IOE's methods and processes, thereby facilitating implementation

²¹ In the past, the IOE evaluation officer has had to rewrite or edit reports.

Part three – Recommendations

133. In accordance with article 7, section 2(b) of the Agreement Establishing IFAD, it is recommended that the Executive Board:
- Approve the programme of work for 2011 at a level of SDR 640 million (US\$1,000 million), which comprises a lending programme of SDR 598 million (US\$935 million) and a gross grant programme of US\$65 million. It is proposed that this programme of work level be approved for planning purposes and that it be adjusted during 2011 in accordance with the level of resources available.
134. In accordance with article 6, section 10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD, it is recommended that the Executive Board:
- Transmit to the thirty-fourth session of the Governing Council, first the administrative budget of IFAD for 2011 in the amount of US\$140.59 million, second the capital budget of IFAD for 2011 in the amount of US\$15.19 million, third the Ninth Replenishment budget in the amount of US\$2 million, fourth, the extraordinary compensatory budget for the 2011 Governing Council in the amount of US\$0.49 million and fifth, the administrative budget of IFAD's Office of Evaluation for 2011 in the amount of US\$5.88 million.
135. It is recommended that, in light of the particular carry-forward provisions of the cluster 1 element of the administrative budget (into which the PDFF has been integrated), the Executive Board transmit for Governing Council approval that unutilized appropriations not exceeding 6 per cent of the cluster 1 element of the approved 2010 administrative budget be carried forward into the 2011 financial period. It is proposed that this provision only be applied on a one-off basis to the 2010 administrative budget as a means of fully integrating the PDFF into the administrative budget.

Draft resolution .../XXXIV**Administrative and capital budgets of IFAD for 2011, Ninth Replenishment budget, extraordinary compensatory budget for the 2011 Governing Council and administrative budget of the IFAD Office of Evaluation for 2011****The Governing Council of IFAD,**

Bearing in mind article 6.10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD;

Noting that, at its 101st session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2011 at a level of SDR 640 million (US\$1 billion), which comprises a lending programme of SDR 598 million (US\$935 million) and a gross grant programme of US\$65 million;

Having considered the review of the 101st session of the Executive Board concerning the proposed administrative and capital budgets of IFAD for 2011, Ninth Replenishment budget, extraordinary compensatory budget for the 2011 Governing Council and the administrative budget of the IFAD Office of Evaluation for 2011;

Recalling resolution 124/XXIV adopted by the Governing Council at its twenty-fourth session in 2001, establishing a Programme Development Financing Facility (PDFF) as a separate programme from the programme of work and the administrative budget of IFAD. The purpose of the PDFF being to finance the expenditures required for the design and implementation of projects and programmes financed by IFAD's loans and grants;

Further recalling that the Governing Council at its thirty-third session in 2010 approved, in its resolution 157/XXXIII, the integration of the PDFF expenditures into the administrative budget, starting from 2010;

Aware that, in 2004, Governing Council resolution 133/XXVII authorized the amendment of regulation VI, paragraph 2 of the Financial Regulations of IFAD, to allow unobligated appropriations at the close of the financial year to be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year;

Conscious that the aforementioned 3 per cent carry-forward currently applies to the administrative budget with the exclusion of the PDFF expenditures, and noting the need for a 6 per cent cap for carrying forward country programme development and implementation unspent balances into the 2011 financial year;

Approves firstly, the administrative budget of IFAD for 2011 in the amount of US\$140.59 million, secondly, the capital budget of IFAD for 2011 in the amount of US\$15.19 million, thirdly, the Ninth Replenishment budget in the amount of US\$2 million, fourthly, the extraordinary compensatory budget for the 2011 Governing Council in the amount of US\$0.49 million and, fifthly, the administrative budget of the IFAD Office of Evaluation for 2011 in the amount of US\$5.88 million, as they are set forth in document GC 34/L.7, determined on the basis of a rate of exchange of EUR 0.72/US\$1.00;

Determines that in the event the average value of the United States dollar in 2011 should change against the euro rate of exchange used to calculate the budget, the total United States dollar equivalent of the euro expenditures in the budget shall be adjusted in the proportion that the actual exchange rate in 2011 bears to the budget exchange rate; and

Further approves that unobligated appropriations at the close of the financial year 2010 for country programme development and implementation may be carried forward into the 2011 financial year up to an amount not exceeding 6 per cent of the corresponding appropriations.

Projected resources available for commitment, 2009-2011

(Millions of United States dollars)

| | <i>2009 actual</i> | <i>2010 estimated</i> | <i>2011 estimated</i> |
|---|------------------------|---------------------------|---------------------------|
| Committable resources at the beginning of the year | - | - | - |
| Loan cancellations | 51.4 | 84.4 | 84.0 |
| Exchange rate adjustment | (18.6) | 28.7 | - |
| Subtotal | 32.8 | 113.1 | 84.0 |
| Member contributions ^a | 399.0 | 338.0 | 230.0 |
| Loan reflows ^b | 256.9 | 249.0 | 256.0 |
| Net investment income ^c | 110.1 | 86.1 | 74.0 |
| HIPC Debt Initiative transfer | - | (30.0) | - |
| Haiti debt relief initiative transfer | - | (15.2) | - |
| After-Service Medical Coverage Scheme Trust Fund transfer | - | (15.0) | - |
| Combined administrative budget (including the IFAD Office of Evaluation) ^d | (122.6) | (139.4) | (154.7) |
| Capital budget expenditure ^e | - | (4.3) | (15.8) |
| Resources after expenditures | 676.2 | 582.3 | 473.5 |
| Commitment for loans and grants ^f | (722.9) | (879.3) | (1,000) |
| Resources before advance commitment authority (ACA) | (46.7) | (297.0) | (526.6) |
| Net use of ACA | 46.7 | 297.0 | 526.6 |

^a Member contributions for the Eighth Replenishment are based on the encashment conditions as negotiated.

^b Loan reflows are shown gross of repayment on behalf of Heavily Indebted Poor Countries (HIPC) Debt Initiative countries.

^c Current estimates as at end-September 2010.

^d The combined administrative budget refers to the administrative budget and the budget of the IFAD Office of Evaluation.

^e The capital budget expenditures pertain to current and prior-year budget allocations.

^f Commitments for loans and grants include grants approved directly by the President and those to be approved under the lapse-of-time procedure.

2011 indicative lending programme

| | <i>West and Central Africa</i> | <i>East and Southern Africa</i> | <i>Asia and the Pacific</i> | <i>Latin America and the Caribbean</i> | <i>Near East and North Africa</i> | <i>Total</i> |
|--|------------------------------------|-------------------------------------|--|--|---------------------------------------|--------------|
| Indicative country list (gross programme) | | | | | | |
| | Central African Republic | Madagascar | Indonesia | Ecuador | Azerbaijan | |
| | Ghana | Eritrea | Philippines | Peru | Sudan | |
| | Mauritania | Lesotho | Tajikistan | Guyana | Yemen | |
| | Côte d'Ivoire | South Africa | Timor-Leste | Suriname | Georgia | |
| | Senegal | Ethiopia | Cambodia | Honduras | Egypt | |
| | Burkina Faso | Malawi | Samoa | Panama | Bosnia and Herzegovina | |
| | Congo | Zambia | China | Venezuela (Bolivarian Republic of) | Morocco | |
| | Niger | Rwanda | Bangladesh | Argentina | | |
| | Liberia | Kenya | India | Mexico | | |
| | | | Nepal | Jamaica | | |
| | | | Kyrgyzstan | Brazil | | |
| | | | Sri Lanka | Paraguay | | |
| | | | | Bolivia (Plurinational State of) | | |
| | | | | Haiti | | |
| | 9 | 9 | 12 | 14 | 7 | 51 |
| Reserve list | | | | | | |
| | Nigeria | Madagascar | Afghanistan | | Albania | |
| | | | Kiribati | | Turkey | |
| | | | Lao People's Democratic Republic | | | |

Note: Supplementary loans and grants are contemplated for Comoros and Swaziland.

Overview of 2008-2009 actual and 2010 estimated expenditures

1. The table below presents an overview of the execution of the administrative budget and the PDFF in 2009 in terms of actual expenditures and also provides an estimate of expected utilization for 2010.

Actual expenditures by source of funding (Thousands of United States dollars)

| <i>Source of funding</i> | <i>2008 actual</i> | <i>2009 actual</i> | <i>Increase</i> | <i>2010 expenditure at end of third quarter</i> | <i>Total estimated for 2010</i> |
|--------------------------|--------------------|--------------------|-----------------|---|---------------------------------|
| Administrative budget | 71 375 | 75 563 | 5.9% | | |
| PDFF | 37 601 | 38 270 | 1.8% | | |
| Total | 108 976 | 113 833 | 4.5% | 118 490 | 131 990 |

2. Actual expenditure in 2009 under the combined administrative and PDFF budgets amounted to US\$113.83 million, representing an overall increase in actual costs of 4.5 per cent over 2008 figures. Actual expenditure under the administrative budget (excluding PDFF) in 2009 of US\$75.56 million represented an annual increase of 5.9 per cent compared to 2008, driven primarily by inflationary increases in staff costs.
3. The 2009 administrative budget restated on the basis of the average EUR/US\$ exchange rate was equal to US\$78.26 million, resulting in a 3 per cent carry-forward into 2010 of US\$2.348 million (see annex IV).
4. IFAD's major expenditure category continues to be human resources, with staff and staff-related costs representing approximately 74 per cent and 17 per cent, respectively, of the administrative and PDFF budgets approved by IFAD's governing bodies for 2009. In 2010, after the PDFF was combined with the administrative budget, staff costs now comprise some 60 per cent of the total aggregate budgetary resources.
5. Actual expenditure under the PDFF for 2009 increased by 1.8 per cent compared with expenditure for 2008, and utilization decreased from 92 to 85 per cent. The remaining 15 per cent or US\$7.15 million not spent in 2009 was carried forward into 2010 on the basis that the funds were committed against specific projects. This situation appears to have been caused by the slow pace of filling staff vacancies and by the fact that expenditure on project implementation has been falling in absolute terms in the context of direct supervision and field presence. Going forward, these efficiency savings will be fully required in light of the increased quantity and quality targets associated with the programme of work.

Carry-forward funds

(Thousands of United States dollars)

| <i>Department</i> | <i>Description of use of carry-forward funds^a</i> | <i>2010</i> | <i>2009</i> | <i>2008</i> | <i>2007</i> | <i>2006</i> | <i>2005</i> | <i>2004</i> |
|-------------------|---|--------------|--------------|--------------|--------------|-------------|--------------|--------------|
| CSSG/CDS | Rural Poverty Report | 550 | 400 | 161 | | | | |
| | Farmer's forum event | 150 | | | | | | |
| | Staff costs | 382 | 139 | | | | | |
| | Administrative support for newly configured offices (CDS and the Arab and Gulf States Liaison Office [AGL]) | 304 | | | | | | |
| | Communications Division: Media and communications support, Governing Council costs and replenishment costs, communications training | 272 | 214 | 335 | | | | |
| | Office of Audit and Oversight: capacity development program | 80 | | | | | | |
| | Strategic Planning and Budget Division: medium-term planning | - | 50 | | | | | |
| | Human Resources Division: enhanced APO ^c programme, e-performance and FAO social security advisory services | 25 | 184 | | | | | |
| | Office of the General Counsel: support for resource mobilization | 66 | | | | | | |
| | Subtotal | 1 829 | 753 | 496 | 700 | 9 | 723 | 721 |
| FAD | Information and Communications Technology Division: IT equipment and maintenance | 25 | | 100 | | | | |
| | Administrative Services Division: headquarters and security costs | 332 | 77 | 600 | | | | |
| | Controller's and Financial Services Division: LGS ^b transition support services | - | 120 | | | | | |
| | Treasury Division: common Treasury services website | - | 10 | | | | | |
| | Front office: country presence handbook | 12 | | | | | | |
| | Subtotal | 369 | 441 | 700 | 543 | | 442 | 283 |
| OPV | Office of the Vice-President: Governing Council costs | | | 42 | | | | |
| | Office of the President: Senior Management recruitment | | 120 | | | | | |
| | Office of the President: corporate reorganization costs | | 520 | | | | | |
| | Contingency | 140 | | | | | | |
| | Subtotal | 140 | 640 | 42 | 121 | | 273 | 128 |
| PMD | Contribution to United Nations events | 10 | | | | | | |
| | | - | 440 | | | | | |
| Total | | 2 348 | 2 274 | 1 238 | 1 874 | 209 | 1 564 | 1 465 |

^a The 3 per cent carry-forward rule is applicable from the 2004 budget year onwards. It establishes that unobligated appropriations at the close of the financial year may be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year.

^b Loan and Grant System.

^c Associate professional officer.

Budget preparation parameters

Staff costs

1. The budget for staff costs is prepared in accordance with the rules and regulations applied to salaries, allowances and benefits for staff members of the United Nations, who are largely governed by the recommendations of the International Civil Service Commission (ICSC) of the United Nations Common System.
2. Standard rates are developed for each grade level based on an analysis of statistical data for the IFAD population and actual expenditures relating to IFAD staff. The various components of the rates represent the best estimate at the time of preparation of the budget document.
3. On the basis of savings already announced and the Management decision to freeze salary levels in 2011, the 2011 standard costs (including non-salary components) are projected to increase by an average of 0.8 per cent, compared to increases of 7.8 and 4.1 per cent for 2009 and 2010, respectively. The table below shows the average percentage increase for each staff entitlement and its impact on the cost of the 2010 proposed full-time equivalents (FTEs).

Composition of standard staff costs (Millions of United States dollars)

| <i>Category description</i> | <i>2010 FTEs at 2010 rates</i> | <i>2010 FTEs at 2011 rates</i> | <i>Increase as a percentage of total increase</i> | <i>Notes</i> |
|---|------------------------------------|------------------------------------|---|--------------|
| Professional staff | | | | |
| Salaries | 21.54 | 21.88 | 0.6% | (a) |
| Post adjustment | 15.28 | 14.97 | (0.6%) | (a) |
| Pension | 6.83 | 7.19 | 0.6% | (b) |
| Education grants | 3.51 | 3.64 | 0.2% | (c) |
| Medical scheme | 2.29 | 2.45 | 0.3% | (d) |
| Repatriation, separation and annual leave | 2.11 | 2.12 | 0.0% | |
| Home leave | 1.41 | 1.24 | (0.3%) | (e) |
| Dependency allowances | 0.74 | 0.78 | 0.1% | (f) |
| United States tax reimbursement | 0.72 | 0.73 | 0.0% | |
| Other allowances | 1.73 | 1.43 | (0.5%) | (g) |
| Subtotal | 56.16 | 56.43 | 0.4% | |
| General Service staff | | | | |
| Salaries | 15.73 | 15.89 | 0.7% | (a) |
| Pension | 3.27 | 3.42 | 0.6% | (b) |
| Medical scheme | 2.01 | 2.14 | 0.5% | (d) |
| Language allowance | 0.57 | 0.58 | 0.0% | |
| Repatriation and separation | 1.46 | 1.46 | 0.0% | |
| Other allowances | 0.93 | 0.89 | (0.1%) | (g) |
| Subtotal | 23.97 | 24.38 | 1.7% | |
| Total administrative staff costs | 80.13 | 80.81 | 0.8% | |

- (a) **Salaries and post adjustment:** No salary increase is projected for staff in 2011. A small increase in the salary component of standard costs has been included to reflect a minor under-budgeting of the increase in 2010.
- (b) **Pension:** A 2 per cent pensionable remuneration increase has been assumed for both General Service and Professional staff. The increases shown in the table above indicate the impact of applying these increases to the IFAD staff population.
- (c) **Education grants:** Based on initial correspondence with ICSC, it is expected that the Commission will propose an increase in education grants in 2011 for Italy. Although it is too early to identify the extent of the increase, 4 per cent has been assumed in the above calculations.
- (d) **Medical scheme:** Following a discussion with the Food and Agriculture Organization of the United Nations (FAO) in relation to the higher-than-estimated cost of the medical scheme, a 5.0 per cent increase in the scheme's unit costs has been assumed. The increases shown in the table above indicate the impact of applying these increases to IFAD's current staff population, as well as providing for the additional costs arising from the cost-capping mechanism for staff members, which is borne by IFAD.
- (e) **Home leave:** The reduction in home leave relates to the fact that IFAD is reducing home leave benefits for staff as part of an overall drive for efficiency.
- (f) **Dependency allowances:** Based on initial correspondence with the ICSC, it is expected that an increase in dependency-allowance unit costs will be recommended by the ICSC for 2011. As with medical costs, the increases reflected in the table above indicate the impact of applying these increases to IFAD's proposed staff population in 2011.
- (g) **Other allowances:** The reduction in other allowances reflects the fact that Management has successfully negotiated a reduction in the cost of the staff compensation plan scheme arising from a realignment of the benefits of this scheme with other United Nations agencies.

Non-staff costs

4. Within the administrative budget, a price increase of 1.4 per cent has been applied to non-staff costs and is felt to be a reasonable estimate of non-staff cost inflation, given the uncertainty that exists in the current global economy. In addition, the following increases forecast in consumer prices were considered before finalizing the rate of 1.4 per cent:
 - The increase in consumer prices globally is forecast to fall from 2.0 per cent at the end of 2010 to 1.8 per cent at the end of 2011;
 - The equivalent forecasts for Italy are expected to be 1.4 per cent at the end of 2010, falling to 1.3 per cent at the end of 2011.

Indicative distribution of the 2011 administrative budget by cluster and department

(Millions of United States dollars)

| Department | Cluster 1 | | | Cluster 2 | | | Cluster 3 | | | Cluster 4 | | | Total | | |
|--|--------------|--------------|------------------------|-------------|-------------|------------------------|--------------|--------------|------------------------|--------------|--------------|------------------------|---------------|---------------|------------------------|
| | 2010 | 2011 | Increase (decrease) | 2010 | 2011 | Increase (decrease) | 2010 | 2011 | Increase (decrease) | 2010 | 2011 | Increase (decrease) | 2010 | 2011 | Increase (decrease) |
| Office of the Chief Development Strategist (CDS) | 0.11 | 0.51 | 0.40 | 2.21 | 2.18 | (0.03) | - | - | - | 0.38 | 0.38 | 0.0 | 2.70 | 3.07 | 0.37 |
| Corporate Services Support Group (CSSG) | 2.51 | 3.45 | 0.94 | 6.34 | 6.51 | 0.17 | 8.09 | 7.82 | (0.27) | 9.68 | 9.24 | (0.44) | 26.62 | 27.02 | 0.40 |
| Finance and Administration Department (FAD) | 1.79 | 2.39 | 0.60 | 0.24 | 0.25 | 0.01 | 23.80 | 22.88 | (0.92) | 0.17 | 0.34 | 0.17 | 26.00 | 25.86 | (0.14) |
| Office of the President and the Vice-President (OPV) | 0.71 | 0.84 | 0.13 | 0.95 | 0.93 | (0.02) | 1.05 | 1.04 | (0.01) | 0.58 | 0.56 | (0.02) | 3.29 | 3.37 | 0.08 |
| Programme Management Department (PMD) | 71.56 | 79.17 | 7.61 | - | - | - | - | - | - | - | - | - | 71.56 | 79.17 | 7.61 |
| Corporate cost centre | - | - | - | - | - | - | - | - | - | - | - | - | 1.82 | 2.10 | 0.28 |
| Total | 76.68 | 86.36 | 9.68 | 9.74 | 9.87 | 0.13 | 32.94 | 31.74 | (1.20) | 10.81 | 10.52 | (0.29) | 131.99 | 140.59 | 8.60 |

Indicative 2011 staff and non-staff costs by cluster and department

(Millions of United States dollars)

| Department | Cluster 1 | | | Cluster 2 | | | Cluster 3 | | | Cluster 4 | | | Total | | 2011 Grand total |
|--|--------------|--------------|--------------|-------------|-------------|-------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------|---------------------|
| | Staff | Non-staff | Total 2011 | Staff | Non-staff | Total 2011 | Staff | Non-staff | Total 2011 | Staff | Non-staff | Total 2011 | Staff | Non-staff | |
| Office of the Chief Development Strategist (CDS) | 0.51 | - | 0.51 | 1.53 | 0.65 | 2.18 | - | - | - | 0.32 | 0.06 | 0.38 | 2.36 | 0.71 | 3.07 |
| Corporate Services Support Group (CSSG) | 3.17 | 0.28 | 3.45 | 4.95 | 1.56 | 6.51 | 6.27 | 1.55 | 7.82 | 7.73 | 1.51 | 9.24 | 22.12 | 4.90 | 27.02 |
| Finance and Administration Department (FAD) | 2.01 | 0.38 | 2.39 | 0.25 | - | 0.25 | 14.75 | 8.13 | 22.88 | 0.17 | 0.17 | 0.34 | 17.18 | 8.68 | 25.86 |
| Office of the President and the Vice-President (OPV) | 0.54 | 0.30 | 0.84 | 0.74 | 0.19 | 0.93 | 0.86 | 0.18 | 1.04 | 0.55 | 0.01 | 0.56 | 2.69 | 0.68 | 3.37 |
| Programme Management Department (PMD) ^a | 44.51 | 34.66 | 79.17 | - | - | - | - | - | - | - | - | - | 44.51 | 34.66 | 79.17 |
| Corporate cost centre | - | - | - | - | - | - | - | - | - | - | - | - | - | 2.10 | 2.10 |
| Total | 50.74 | 35.62 | 86.36 | 7.47 | 2.40 | 9.87 | 21.88 | 9.86 | 31.74 | 8.77 | 1.75 | 10.52 | 88.86 | 51.73 | 140.59 |
| Staff/Non-staff % – by cluster | 59% | 41% | 100% | 76% | 24% | 100% | 69% | 31% | 100% | 83% | 17% | 100% | 63% | 37% | 100% |

^a Of the total non-staff cost of US\$34.66 million under cluster 1 in PMD, US\$21.76 million represents consultants' costs.

2011 country presence budget information

Proposed 2011 country presence budget by region (Millions of United States dollars)

| <i>Region</i> | <i>Staff</i> | <i>Non-staff</i> | <i>Total</i> |
|---------------------------------|--------------|------------------|--------------|
| West and Central Africa | 2.18 | 1.00 | 3.18 |
| East and Southern Africa | 3.07 | 1.05 | 4.12 |
| Asia and the Pacific | 1.17 | 0.70 | 1.87 |
| Latin America and the Caribbean | 1.06 | 0.36 | 1.42 |
| Near East and North Africa | 0.69 | 0.24 | 0.93 |
| Total | 8.17 | 3.35 | 11.52 |

2011 country presence budget staff analysis (internationally/locally recruited staff) by region

| <i>Region</i> | <i>Internationally recruited Professional staff</i> | | <i>Locally recruited staff</i> | | <i>Total</i> | |
|---------------------------------|---|-------------------------|--------------------------------|-------------------------|--------------|-------------------------|
| | <i>FTEs^a</i> | <i>US\$ million</i> | <i>FTEs</i> | <i>US\$ million</i> | <i>FTEs</i> | <i>US\$ million</i> |
| West and Central Africa | 5.00 | 1.06 | 16.00 | 1.12 | 21.00 | 2.18 |
| East and Southern Africa | 9.75 | 2.06 | 22.00 | 1.01 | 31.75 | 3.07 |
| Asia and the Pacific | 1.00 | 0.22 | 18.50 | 0.95 | 19.50 | 1.17 |
| Latin America and the Caribbean | 3.00 | 0.67 | 3.00 | 0.39 | 6.00 | 1.06 |
| Near East and North Africa | 1.00 | 0.22 | 7.00 | 0.47 | 8.00 | 0.69 |
| Total | 19.75 | 4.23 | 66.50 | 3.94 | 86.25 | 8.17 |

^a FTE: full-time equivalent

Indicative 2011 staff levels – administrative budget

(Full-time equivalents)^a

| Department ^b | Continuing and fixed-term staff | | | Short-term staff | Locally recruited field staff | Total 2011 |
|---|---------------------------------|-----------------|---------------------------------------|------------------|-------------------------------|---------------|
| | Prof. and higher | General Service | Total continuing and fixed-term staff | | | |
| Office of the Chief Development Strategist (CDS) | 8.00 | 2.00 | 10.00 | - | - | 10.00 |
| Corporate Services Support Group (CSSG) | | | | | | |
| Office of the General Counsel | 9.00 | 6.00 | 15.00 | 0.75 | - | 15.75 |
| Office of the Secretary | 15.00 | 28.68 | 43.68 | 7.57 | - | 51.25 |
| Office of Audit and Oversight | 5.00 | 3.00 | 8.00 | - | - | 8.00 |
| Strategic Planning and Budget Division | 4.00 | 1.00 | 5.00 | - | - | 5.00 |
| Human Resources Division | 10.40 | 10.40 | 20.80 | - | - | 20.80 |
| Communications Division | 14.50 | 11.00 | 25.50 | - | - | 25.50 |
| North American Liaison Office | 2.00 | 2.00 | 4.00 | - | - | 4.00 |
| Arab and Gulf States Liaison Office | 3.00 | 1.00 | 4.00 | - | - | 4.00 |
| Resource Mobilization and Partnership Unit | 2.00 | 1.00 | 3.00 | - | - | 3.00 |
| Total CSSG | 64.90 | 64.08 | 128.98 | 8.32 | - | 137.30 |
| Finance and Administration Department (FAD) | | | | | | |
| FAD front office | 4.00 | 1.00 | 5.00 | - | - | 5.00 |
| Controller's and Financial Services Division | 15.00 | 17.66 | 32.66 | - | 1.00 | 33.66 |
| Treasury Division | 8.00 | 5.00 | 13.00 | - | - | 13.00 |
| Administrative Services Division | 7.00 | 29.50 | 36.50 | 1.70 | - | 38.20 |
| Information and Communications Technology Division | 14.00 | 13.00 | 27.00 | - | - | 27.00 |
| Total FAD | 48.00 | 66.16 | 114.16 | 1.70 | 1.00 | 116.86 |
| Office of the President and the Vice-President (OPV)^c | 5.25 | 5.00 | 10.25 | - | - | 10.25 |
| Programme Management Department (PMD) | | | | | | |
| PMD front office | 6.00 | 3.00 | 9.00 | 0.40 | - | 9.40 |
| Policy and Technical Advisory Division | 21.25 | 10.00 | 31.25 | 2.90 | - | 34.15 |
| West and Central Africa Division | 20.00 | 13.00 | 33.00 | - | 16.00 | 49.00 |
| East and Southern Africa Division | 25.75 | 12.00 | 37.75 | - | 21.00 | 58.75 |
| Asia and the Pacific Division | 19.50 | 10.00 | 29.50 | 4.00 | 18.50 | 52.00 |
| Latin America and the Caribbean Division | 18.00 | 7.00 | 25.00 | - | 3.00 | 28.00 |
| Near East and North Africa Division | 16.00 | 11.00 | 27.00 | - | 7.00 | 34.00 |
| Environment and Climate Division | 4.70 | 2.00 | 6.70 | - | - | 6.70 |
| Total PMD | 131.20 | 68.00 | 199.20 | 7.30 | 65.50 | 272.00 |
| Grand total – 2011 | 257.35 | 205.24 | 462.59 | 17.32 | 66.50 | 546.41 |
| Grand total – 2010 | 248.10 | 204.24 | 452.34 | 17.32 | - | 469.66 |

^a 1 FTE = 12 months. Includes part-time staff corresponding to less than one FTE.

^b The distribution of staff by department is indicative and subject to change as the staffing plans for 2011 are finalized.

^c The President and Vice-President are not included.

Indicative 2011 staffing by department and grade

(Full-time equivalents)

| <i>Category</i> | <i>Grade</i> | <i>CDS</i> | <i>CSSG</i> | <i>FAD</i> | <i>OPV</i> | <i>PMD</i> | <i>2011 Total</i> | <i>2010 Total</i> |
|---------------------------------------|-----------------|--------------|---------------|---------------|--------------|---------------|-----------------------|-----------------------|
| Professional and higher ^a | Department Head | 1.0 | - | 1.0 | - | 1.0 | 3.00 | 3.00 |
| | D-2 | 1.0 | 5.00 | - | 1.00 | 2.00 | 9.00 | 8.00 |
| | D-1 | - | 3.00 | 4.00 | - | 4.50 | 11.50 | 12.50 |
| | P-5 | 4.00 | 11.00 | 10.00 | 1.00 | 63.50 | 89.50 | 84.50 |
| | P-4 | 1.00 | 19.00 | 13.00 | 2.00 | 26.70 | 61.70 | 57.70 |
| | P-3 | 1.00 | 18.90 | 11.00 | - | 28.00 | 58.90 | 59.90 |
| | P-2 | - | 8.00 | 8.00 | 1.25 | 5.50 | 22.75 | 21.50 |
| | P-1 | - | - | 1.00 | - | - | 1.00 | 1.00 |
| Subtotal | | 8.00 | 64.90 | 48.00 | 5.25 | 131.20 | 257.35 | 248.10 |
| General Service ^a | G-7 | - | - | 3.00 | - | - | 3.00 | 4.00 |
| | G-6 | 1.00 | 26.00 | 25.00 | 3.00 | 31.00 | 86.00 | 84.00 |
| | G-5 | 1.00 | 16.68 | 16.66 | 1.00 | 24.00 | 59.34 | 59.34 |
| | G-4 | - | 14.40 | 12.50 | 1.00 | 11.00 | 38.90 | 38.90 |
| | G-3 | - | 5.00 | 4.00 | - | 2.00 | 11.00 | 11.00 |
| | G-2 | - | 2.00 | 5.00 | - | - | 7.00 | 7.00 |
| Subtotal | | 2.00 | 64.08 | 66.16 | 5.00 | 68.00 | 205.24 | 204.24 |
| Total | | 10.00 | 128.98 | 114.16 | 10.25 | 199.20 | 462.59 | 452.34 |
| Percentage Professional category | | 80.0% | 50.3% | 42.0% | 51.2% | 65.9% | 55.6% | 54.8% |
| Percentage General Service category | | 20.0% | 49.7% | 58.0% | 48.8% | 34.1% | 44.4% | 45.2% |
| Ratio Professional to General Service | | 0.25 | 0.99 | 1.38 | 0.95 | 0.52 | 0.80 | 0.82 |

^a Excluding President, Vice-President, locally recruited field staff and short-term temporary General Service staff.

Capital budget 2008-2010: Resources approved, allocated and committed

(Thousands of United States dollars)

| <i>Initiative</i> | <i>Project</i> | <i>Approved</i> | <i>Allocated</i> | <i>Committed</i> | <i>Available</i> | <i>Percentage utilization of allocated</i> | <i>Percentage utilization of approved</i> |
|-------------------------------------|---|-----------------|------------------|------------------|------------------|--|---|
| IT projects 2008-2010 | | | | | | | |
| Loans and grants | LGS replacement | 3 760 | 1 291 | 1 196 | 95 | 93% | 32% |
| Human resources reform | Administration of consultants | 675 | 675 | 548 | 127 | 81% | 81% |
| | Workforce planning/e-recruitment | 400 | - | - | - | - | 0% |
| Institutional efficiency | Automation/streamlining of HR processes | - | - | - | - | - | - |
| | Travel and expenses | 166 | 166 | - | - | - | 0% |
| | PeopleSoft upgrade | 390 | 390 | - | - | - | 0% |
| | Document production management | 300 | 200 | 58 | 142 | 29% | 19% |
| | Business intelligence | 270 | - | - | - | - | 0% |
| | CIAO replacement – interactive architecture | 200 | 20 | 11 | 9 | 55% | 6% |
| | Foundation for Information and Records Management | - | - | - | - | - | - |
| Delivering as One | Direct supervision/ project design | 500 | 200 | 88 | 112 | 44% | 18% |
| | Knowledge management | 240 | 240 | 211 | 29 | 88% | 88% |
| IT infrastructure | Desktop/laptop replacement | 1 250 | 1250 | 1210 | 40 | 97% | 97% |
| | Business continuity/virtualization | 910 | 508 | 406 | 102 | 80% | 45% |
| Subtotal for IT projects | | 9 061 | 4 940 | 3 728 | 1 212 | 75% | 41% |
| Non-IT projects 2008-2011 | | | | | | | |
| Headquarters | Green certificate | 150 | 150 | 150 | - | 100% | 100% |
| | External parking | 400 | 400 | 94 | 306 | 24% | 24% |
| Subtotal for non-IT projects | | 550 | 550 | 244 | 306 | 44% | 44% |
| Total | | 9 611 | 5 490 | 3 972 | 1 518 | 72% | 41% |

Increased efficiency and savings

1. IFAD Management reported on actual and planned cost reductions and savings under the ongoing cost rationalization and reduction initiative at the 100th session of the Executive Board (EB 2010/100/INF.5, Progress Report on Implementation of the 2010 Programme of Work and the Change and Reform Agenda: Towards a more Agile, Efficient and Effective Institution). The Board requested Management to provide further information on actions taken in the context of the presentation of the proposed administrative budget for 2011.

Programme Management Department (PMD)

2. IFAD's major expenditure is on country programme development and implementation (cluster 1), where the major focus in terms of efficiency and cost saving has been: efficiency in delivering assistance; and cost saving for reallocation to high priority activities to achieve development results, particularly implementation support. PMD accounts for over 90 per cent of the cluster 1 administrative budget.
3. IFAD is delivering more resources to projects faster. Disbursements of loan and grant resources increased from US\$417 million to US\$498 million in the period 2009/10, a 19.4 per cent increase after three years of almost flat disbursement. During the same period, significantly fewer extensions were granted to projects that were scheduled for completion during the period. Of the projects closing in 2009/10, only 17 had ever been extended, as opposed to 26 (and 41) in the two preceding years. In the Latin America and Caribbean region (LAC), only five projects experienced time overruns of more than 24 months in 2010, compared to nine the previous year.
4. As the overall number of extensions decreases, not only will resources be delivered faster, but the percentage of time overruns and the costs associated with portfolio management will also decline, both at IFAD and in-country. Time overruns (actual completion compared to original) were significantly reduced, supported by earlier than required closure in the West and Central Africa region (WCA) with only 9 per cent of completed projects incurring overruns, compared to 23 per cent the previous year. Four projects in WCA were closed between the latter half of 2009 and the first half of 2010, two in Chad and one each in Guinea and the Niger, which contributed to decreasing the costs associated with portfolio management of poorly performing projects.
5. Time from approval to project effectiveness has also diminished. In Near East and North Africa (NEN), the historic average time from Executive Board approval to project effectiveness is 13 months. However, three of the seven projects in 2009, one in Egypt and two in The Sudan, became effective on average 2.4 months after approval. In WCA, five of the seven projects approved in 2009/10 became effective within an average of four months. The Liberia project became effective five days after its approval.
6. This improvement in efficiency in delivering assistance reflects the impact of several factors: direct supervision, more realistic project design, and increased decentralization to country offices and regional hubs. Several IFAD country strategic opportunities programmes (COSOPs) in the Central European subregion of NEN, namely in Armenia, Azerbaijan and the Republic of Moldova, have been operating with a single unified programme management unit to implement several IFAD projects in the respective countries. The benefits include coherent IFAD operations in the country, enhanced quality and lower running costs. In some countries, the effects of direct supervision can clearly be seen in increased operational performance. In Madagascar, annual project disbursement quadrupled from US\$3 million in 2007 to US\$12 million in 2009. Annual workplans and budgets (AWP/Bs) are being approved on time, and planned activities are much more

realistic than in the past in terms of investment and timeframes. Half-yearly reports relating to project log-frames and AWP/Bs are produced by each project. In Rwanda, the country programme has started to monitor the contributions made by each project to COSOP objectives, with positive feedback to the projects themselves.

7. The average actual duration of projects (effectiveness to actual completion) that closed in 2009/10 also shows a notable improvement, dropping to 7.0 years from 7.6 and 7.9 years in the previous two years. This indicates a move towards a tighter, more focused disbursement and implementation period. Finally, the average period from Executive Board approval to first disbursement declined by about four months, from 20 to 16 months, illustrating the efficiencies introduced in project start-up. For example, the Uganda project approved at the September 2010 session of the Board had already been presented and approved by the Ugandan parliament as of 29 September, opening the way for faster start-up.
8. In PMD, the focus has been on cost reallocations within divisions to increase resources dedicated to quality improvement, supervision and results management. Costs are reduced only where this will not compromise design quality, with the emphasis on transferring efficiency gains to effectiveness goals. As a result, the intensity and quality of supervision services has increased in many countries. In Uganda, for example, supervision intensity has increased substantially with direct supervision, generally with an expert per component in addition to financial management and monitoring and evaluation (M&E) specialists. Some specializations previously rarely represented on supervision missions, such as an infrastructure engineer for projects with major infrastructure elements, are now regularly present. Supervision missions are also better informed about project issues through their involvement in ongoing fiduciary reviews, and link progress on the ground with current government policies, based on their participation in policy dialogue and keeping abreast of sector developments. In WCA, more comprehensive multiproject supervision missions are taking place, and projects are increasingly being visited more than twice a year. Furthermore, with increased in-country knowledge from direct supervision and increased country presence (the Congo, the Democratic Republic of the Congo, Nigeria and Senegal), decreases in operational costs of about 30 per cent are freeing up resources for more effective and targeted implementation support and improved project governance (as already realized in Senegal).
9. To ensure an optimal distribution of resources among countries and subregions, taking into account the complexity of each country and the support provided by country offices, LAC refined its approach to preparing the AWP/B for 2009/10. The exercise considers the country as the main planning unit and introduces a medium-term planning horizon aligned with the performance-based allocation system (PBAS) cycle. This cost and budgeting differentiation recognizes the differences among Latin American countries, as some country programmes are more complex and may need more resources. To achieve efficiency gains in terms of costs and time, supplementary loans were preferred for countries that had small allocations at the end of the previous PBAS period. During the last year, four LAC supplementary financing operations were approved.
10. Use of country offices has facilitated cost reductions in the project design process, and the savings have been reallocated to portfolio management at a regional level. In the United Republic of Tanzania, the design of the Marketing Infrastructure Value Addition and Rural Finance Support Programme was led by the IFAD country programme manager (CPM), building upon in-country presence, the use of local consultants and sharing of design costs with partner institutions (in this case the African Development Bank and the Alliance for a Green Revolution in Africa). In this particular case, the project design cost is only US\$76,000. The CPM's leadership of

the design process not only reduced the cost but also helped speedy resolution of sensitive design issues.

11. Yet not all projects can include cost containment as a key parameter of the design process, and while efficiency gains can be pursued by, for example, aiming for larger projects that involve lower risk, there is also a need for other types of investments where targeting or innovation may justify relatively more intense funding. Complex environments, limited information, increased fiduciary requirements and counterpart institutions with poor capacities often lead to substantial investments in project design on the part of regional divisions. In NEN for example, 25 per cent of the 2010-2012 pipeline require above average resources in post-conflict and complex situations, for highly innovative or high-risk projects or to promote targeting. As in LAC (where the majority of countries will use their entire PBAS allocation in a single investment project, with the exception of Brazil, Haiti and Honduras during the 2010-2012 PBAS period), Egypt, Morocco, the Syrian Arab Republic and Tunisia will each have a single project within the PBAS cycle involving a loan for more than US\$20 million.
12. For the period 2010-2012, project design initiatives are planned for up to 120 member countries in response to the increased programme of work, an increase from 90 countries during the previous 2007-2009 period. All such processes benefit from the reallocation of cost savings across the project cycle for improved quality and implementation effectiveness.

Finance and Administration Department (FAD)

13. Cluster 3 (corporate management, reform and administration) accounts for approximately 23 per cent of the total administrative budget, and has managed an increasing level of activity generated by the expansion in the programme of work without any real increase since 2006. The real budget allocation for this cluster will be reduced slightly in 2011.
14. Much of the administration work takes place in FAD, where there is a constant process of change to accommodate rising volumes of work, contain costs and reallocate resources to high priority activities, as illustrated below:

Controller's and Financial Services Division (CFS)

15. **Payments and payroll.** Although transaction volume increased 9 per cent year-on-year, the work is being performed by one fewer Professional FTE and one fewer General Service FTE. The payroll accounting officer absorbed responsibility for payments processing in addition to existing duties in payroll. For the fourth quarter of 2010, staffing was further reduced by eliminating one G5 position following the incumbent's retirement. The section absorbed more workload with less staff without compromising the quality of deliverables.
16. **Accounting and contributions.** Work is being done with 0.5 fewer FTEs. The 0.5 FTE at P3 level has been transferred to the Loans and Grants Section and the responsibility previously held by contributions staff has been absorbed by existing accounting staff through a more efficient distribution of tasks.
17. **Budget administration.** With the restructuring of functions by moving budget administration from the Strategic Planning and Budget Division (SPB) to CFS, one FTE was eliminated (vacant post not filled).
18. **Travel.** The processing time for travel expense claims has been reduced, and staff have been reduced by one FTE at P2 level.
19. **Loans and Grants Section.** To accelerate the release of funds to projects by shortening processing times for withdrawal applications, and in response to the increase in the volume and complexity of the programme of work, the workforce was strengthened by 2.5 P2/3 FTEs transferred from the Accounting Section in 2009/10. The quality of service has improved materially: processing times for loans

and DSF grants withdrawal applications was reduced from 8.28 days to 7.07 days on average in 2010; the volume of disbursements rose from US\$432 million to US\$489 million; and the time required for closure of loans with expired closing dates has been reduced from 15 to 11 months.

20. **Cost reductions.** In the first half of 2010, on the basis of revised travel entitlements, US\$32,299 was saved under class of travel changes, US\$103,160 on daily subsistence allowances, US\$269,299 on home leave, US\$85,000 on negotiated corporate fares and US\$15,000 through more rigorous advance booking, for a total of \$505,000 with further savings to be realized in 2010.

Information and Communications Technology Division (ICT)

21. During 2009/10, ICT maintained an average of 99.98 per cent availability for all network services and corporate applications. With the exception of planned and announced system downtime for maintenance, ICT services were available 24 hours a day, seven days a week.
22. In addition to maintaining close to 100 per cent service availability, ICT has been working towards providing all operative IFAD country offices with access to corporate applications and services via the Virtual Private Network (VPN). As of 30 September 2010, more than 70 per cent of the operative field offices have had VPN client installed and tested and are now able to access and work on corporate applications as if they were seated at headquarters. This will significantly reduce costs as local country office staff will be able to perform day-to-day operations using IFAD corporate applications. For example, local programme assistants in LAC are inserting data into the project repository (PPMS), while programme assistants in the Kenya office are participating in a pilot to process withdrawal applications directly from the Nairobi office. ICT plans to have the remaining operative country offices accessing corporate applications through the VPN by the end of 2010.
23. At headquarters, ICT has developed and deployed a number of major solutions, including the Operations Dashboard, which is designed to provide IFAD Management and regional division staff with a single source of data describing a number of key indicators on the health of the IFAD project portfolio. A second dashboard presenting workforce data and information was delivered to IFAD Management to support the rolling corporate Strategic Workforce Plan. Processes supporting the Office of the President and Vice-President (OPV) were significantly streamlined through the introduction of OPTICS, an application designed to track and reduce the life cycle of the voluminous internal and external correspondence received by OPV. ICT also supported PMD in the development of the Project Life File (PLF), a solution which uses metadata to enable IFAD staff to efficiently organize and retrieve key operations documents by region, country and project in the corporate document repository (xDesk).
24. Two enhancements to the human resources (HR) module of PeopleSoft were completed to facilitate the completion of routine tasks across the organization. The first was the introduction of functionality to support multi-year contracts in the e-RCS. This enhancement was strongly petitioned for by PMD to streamline data entry requirements for consultant contracts. In addition, manual data entry to upload staff data from the HR system to the United Nations Joint Staff Pension Fund was eliminated through the introduction of an automated interface.
25. ICT addressed business continuity and disaster recovery requirements in several important ways during 2009/10. First, ICT has implemented the infrastructure and software components necessary to run a daily backup of every headquarters workstation. The daily backup of all client workstations will significantly reduce the risk of lost or stolen corporate data, as well as the cost of end user downtime due to computer failure. In a second critical step forward, ICT has made significant progress towards finalizing a fully functional disaster recovery facility at the Food and Agriculture Organization of the United Nations (FAO). This facility will reduce

potential downtime to one business day in the event of an emergency, and will increase operational efficiency by protecting IFAD corporate applications against failure. The facility will be fully operational by the end of 2010.

26. ICT completed the move of IFAD's corporate document and records repositories to the International Computing Centre (UNICC) and is currently finalizing the move of its messaging infrastructure to UNICC as well. This move is designed to provide the organization with the security of full redundancy for these important applications, and to significantly reduce potential downtime by leveraging UNICC's expertise and capacity, while lessening the need to invest in additional servers or other network equipment to support the applications. This will reduce up-front capital expenditures as well as the IT staff time needed to deploy and manage corporate applications. The managed services approach through UNICC will also enable IFAD to provide consistently high availability and performance to geographically dispersed end users.
27. ICT has proactively piloted the use of WebEx, a web conferencing facility that could potentially have a major impact on direct travel costs, time savings and savings on traditional long distance telephone calls. Two regional divisions are currently using the new facility during regular divisional staff meetings to allow joint participation by headquarters and country office staff.

Treasury Division (TRE)

28. Efficiency gains have been realized across all three teams in the division: investment management, cash management, and asset and liability management.
29. **Investment management.** The efficiency gains in investment management, involving a total portfolio of approximately US\$2 billion, accrue from the consolidation of assets being managed by external fund managers. The portion of the portfolio being managed by a low-performing external fund manager was moved to others having performed well. This resulted in the transfer of assets for a total of US\$460 million (23 per cent of assets with external managers) to three managers and the termination of the contract with one, thereby reducing the number of managers from eight to seven. Benefits include: reduced management fees; probability of better investment performance; and greater opportunity for staff to focus on monitoring a consolidated portfolio of externally managed funds. The management of supplementary funds and other funds (US\$261 million) is another area that will yield not only efficiency gains but also improvements in investment approach. The cash management team had invested these funds in term deposits with banks, an approach that not only yields lower returns but was placing the task of investment management on the cash management team. It was decided to consolidate all investment management activities within TRE in the investment management team. This is expected not only to yield better returns but also to allow the cash management team to focus on funds transfer and bank relationship management.
30. **Asset and liability management (ALM).** The team continued to produce an increased number of reports for Management notwithstanding a 50 per cent reduction in staff resources. This is evident in the support provided in the negotiation of the Spanish Food Security Cofinancing Facility Trust Fund, in addition to meeting ongoing responsibilities. IFAD's counterpart from the Government of Spain hired an external consultant to do the modeling for the facility, while the modeling for IFAD was done in-house by the ALM team.
31. **Cash management.** The volume of transactions increased by approximately 80 per cent between 2004 and 2006, while staff were reduced by nearly 40 per cent (to five) and speed was increased. This achievement was based on full implementation of the SWIFT system.

Administrative Services Division (ADM)

32. In 2010 several administrative processes were reviewed and resources reallocated in order to enhance division efficiency. The resulting efficiency gains in terms of staff time will be used to partially satisfy additional resource requirements that are necessary to provide the same level of service in response to increasing demand with the expansion in the PMD portfolio and country programmes.
33. The main areas for cost reduction are:
34. **Procurement.** Joint tendering through the Common Procurement Team (together with FAO and the World Food Programme [WFP]) is expected to result in additional efficiencies in the areas of global facility services, electricity, office supplies, stationary as well as mobile phone and rental services. An estimated cost saving resulting from enhanced economies of scale for these activities amounting to US\$96,900 has already been reflected in the budget submission for 2011.
35. In addition, the Procurement Section has started utilizing existing long-term agreements of other United Nations organizations, specifically in the areas of security equipment as well as software and hardware, resulting in lower costs in the tendering process. The new procurement manual, which is currently in the approval cycle, explicitly contains provisions to expand the utilization of other organizations' long-term agreements. The efficiency gains outlined in the procurement area will free up resources and allow Professional staff to focus on more strategic work such as better procurement planning in cooperation with requesting divisions, and harmonization and standardization with the other Rome-based agencies.
36. **Records management.** The records and archives functions were transferred to ADM from the Communications Division. These functions were merged with those of the mailroom, resulting in the reduction of two General Service posts. Furthermore, as part of the dematerialization project (DEMAT), which will largely eliminate the management and retention of paper records, records management workflows were reviewed and manual processes eliminated. Once fully implemented, the electronic records management system (eRMS) will free up staff resources in records maintenance, retrieval and circulation, and significantly reduce paper use and the need to allocate space for archives and files both at headquarters and in IFAD country offices. IFAD is now piloting a paperless work environment starting with the migration of all records and documents in hard copy to the new e-RMS in the Office of the CFAO. Additional enhancements to the system, such as automated document profiling to facilitate record keeping, retrieval and retention, have been included in capital budget funding for 2011. This initiative is also part of the greening of IFAD operations.
37. **Facilities.** As part of the interagency joint tendering process, the Facility Management Section is developing specifications for major tenders and evaluating offers for multiservices, electricity, gas and furniture. Savings are expected to be achieved as a result. Several changes in facilities management were introduced to reduce energy consumption and carbon emissions. These include control of temperatures and operating hours for heating, ventilation and air conditioning (HVAC) equipment, keeping lighting low outside working hours and reducing water usage. These changes contributed to our obtaining the prestigious Gold level certification for Leadership in Energy and Environmental Design (LEED) for existing building operation and maintenance. This certification has given new impetus to facilities management under an environmentally-friendly approach.
38. The consolidation of logistics, including catering services, for meetings and conferences is expected to boost efficiency. In particular, the transfer of a part-time G5 catering assistant from SEC to ASD will permit the coordination of catering services for official functions to be merged with the coordination of catering in the cafeteria and other events.

39. **Privileges and immunities.** The processing of identity (ID) card requests has been automated and is now being conducted electronically through the self-service environment in PeopleSoft. This application also facilitates the paperless transmission of data to the Ministry of Foreign Affairs database. This has resulted in the reduction of processing time for ID cards from 15 working days to 5-7 working days while enhancing confidentiality and quality of service.
40. The processing of staff compensation claims has been outsourced to a claim handler, reducing reimbursement times and enhancing confidentiality. Previously such claims were handled in four divisions (ADM, HRD, TRE, CFS). This measure is expected to contribute to a reduction in premiums as of 2011.
41. The compensation plan for staff with fixed-term and continuing contracts was revised to remove the non-service component for illness and injury. The saving realized from this measure for 2011 amounts to approximately US\$1 million.
42. Through CPT, IFAD is leading an initiative to replace paper coupons for petrol purchases with electronic debit cards for staff entitled to these benefits. The tendering process is under way and, when complete, may be applied by the Italian authorities to other international institutions and embassies.
43. The Security Section implemented security enhancements to IFAD headquarters that had been planned since the move to the new building. The Section participated in consultations with the City of Rome regarding the roundabout in front of the building and has maintained liaison with police regarding security and traffic issues during large events hosted by IFAD. The Section also provided input to the external parking project to include a clearing area for vehicles entering IFAD premises that should be complete by January 2011. The access control software is being upgraded to expand the use of electronic badge readers throughout the building, with full compatibility with FAO and WFP access control systems, by end-2010.
44. The Security Section requested an independent assessment of the status of IFAD security from UNDSS. The report, delivered in May 2010, underlined that IFAD needed to establish a comprehensive security strategy. For this reason, ADM and the Section are currently preparing a security strategy, under a risk-driven rather than a resource-driven approach.
45. On the external side, the Chief of Security has been nominated co-chair of the Inter-Agency Security Management Network for 2010, in recognition of IFAD's active participation in the United Nations common security system. The Security Section also provides support to IFAD field operations, country offices, and IFAD missions to high-risk areas. In 2009, 50 IFAD female staff members attended a training session organized by the Section on security awareness for female staff on mission.

IOE achievements in 2010

| <i>Priority area</i> | <i>Type of work</i> | <i>Evaluation activities</i> | <i>Planned implementation status</i> | <i>Present status</i> |
|---|--------------------------------|---|---|---|
| Priority A: Conducting of selected corporate-level, country programme and project evaluations | 1. Corporate-level evaluations | Completion of the Peer Review of IFAD's Office of Evaluation and Evaluation Function and implementation of the recommendations of the Peer Review | Peer Review to be discussed at the Evaluation Committee and the Executive Board in April 2010 | Peer Review completed and discussed as planned. In October 2010, the Evaluation Committee discussed and agreed on the way forward in the Peer Review process. |
| | | Approaches and results in promoting gender equality and women's empowerment in IFAD operations | To be completed in December 2010 | Completed and will be discussed with the Evaluation Committee in November 2010 and the Executive Board in December 2010. A presentation of the emerging findings was delivered to the Committee in July 2010. An informal pre-Board seminar will be organized in December 2010. Some outreach activities will be carried out in 2011. |
| | | IFAD's Private-Sector Development and Partnership Strategy | To be completed in May 2011 | Undertaken as planned. The approach paper has been prepared, a portfolio review and country visits have been undertaken ¹ and the final report is being drafted. This evaluation is scheduled to be presented to the Board in May 2011 and the Evaluation Committee beforehand. |
| | | AfDB-IFAD joint evaluation on agriculture and rural development policies and operations in Africa | Various outreach activities scheduled in 2010 | Presentations on the findings and recommendations of the joint evaluation as follows: (i) at the African Green Revolution Forum in September 2010 in Accra, Ghana; (ii) to the agricultural unit of the Comprehensive Africa Agriculture Development |

¹ Visits were undertaken to five countries, one in each IFAD geographic region: Albania, Ghana, Guatemala, Sri Lanka and Uganda. A working paper was prepared for each country based on the desk review and data collected during the country visit.

| <i>Priority area</i> | <i>Type of work</i> | <i>Evaluation activities</i> | <i>Planned implementation status</i> | <i>Present status</i> |
|----------------------|----------------------------------|---|---|---|
| | | | | Programme in June; and (iii) at a workshop organized by the World Bank on agriculture and agribusiness in Gaborone, Botswana, in October 2010. ² |
| | | Innovation and scaling-up | In December 2009, the Board decided to defer consideration of this evaluation to the Evaluation Committee and Executive Board sessions in April 2010. | Completed. Report disseminated as per IOE practices. |
| | 2. Country programme evaluations | Argentina | To be completed in June 2010 | Completed. Discussed at the sixty-fourth session of the Evaluation Committee. A national round-table workshop was held in June 2010. |
| | | China: Support PMD in undertaking the self-evaluation | To be completed in December 2010 | Undertaken as planned. IOE has commented on the approach paper and the draft final report and participated in a workshop organized by the Asia and the Pacific Division at the end of October in China to discuss the self-evaluation and the preparation of the new COSOP. |
| | | Ghana | To start in November 2010 | Will start as planned. |
| | | Kenya | To be completed in December 2010 | Undertaken as planned. The final report is ready. National round-table workshop will be conducted in 2011. |
| | | Mozambique (only national round-table workshop) | To be completed in April 2010 | Completed. The national round-table workshop was conducted in May 2010 with the participation of the Evaluation Committee, in attendance as part of its annual country visit. |
| | | Niger | To be completed in April 2010 | Delayed due to the unforeseen departure of the lead evaluator at the beginning of 2010. CPE will be completed in the last quarter of 2010. |
| | | Rwanda | To start in November 2010 | Will start as planned. Approach paper prepared and team being |

² Workshop entitled: Evaluating support for growth and Productivity in Agriculture and Agribusiness in Southern Africa: The Role of Public and Private Sectors.

| <i>Priority area</i> | <i>Type of work</i> | <i>Evaluation activities</i> | <i>Planned implementation status</i> | <i>Present status</i> |
|--|---|--|--------------------------------------|---|
| | | | | recruited. |
| | | Viet Nam | To start in November 2010 | Will start as planned. Approach paper prepared and team being recruited. |
| | | Yemen | To be completed in December 2010 | Main mission was fielded in October 2010 and the national round-table workshop will be organized in 2011. Delay due to difficulties in identifying consultants' team leader, who has been now selected. |
| | 3. Project evaluations | Brazil: Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East | To be completed in October 2010 | Completed. |
| | 3.1. Interim evaluations | Ghana: Rural Enterprises Project – Phase II | To be completed in December 2010 | Undertaken as planned. Report being finalized. |
| | | Rwanda: Smallholder Cash and Export Crops Development Project | To be completed in December 2010 | Undertaken as planned. Report being finalized. |
| | | United Republic of Tanzania: Rural Financial Services Programme | To be completed in December 2010 | Undertaken as planned. Report being finalized. |
| | 3.2. Completion evaluation | Dominican Republic: South Western Region Small Farmers Project – Phase II | To be completed in June 2010 | Completed. |
| | | Lao People's Democratic Republic: Oudomxai Community Initiatives Support Project | To be completed in December 2010 | Undertaken as planned. Report being prepared. |
| Priority B: Specific evaluation work required by the IFAD Evaluation Policy and the Terms of Reference of the Evaluation Committee | 4. Evaluation Committee and Executive Board | Country visit of the Evaluation Committee to Mozambique | To be completed in May 2010 | Completed. Evaluation Committee Chairperson provided written report to the Board in September 2010 with the Committee's observations on the country visit. |
| | | Review of the implementation of the three-year rolling work programme and budget 2010-2012 and preparation of the work programme and budget for 2011 and indicative plan for 2012-2013 | To be completed in December 2010 | Completed. |
| | | Eighth Annual Report on Results and Impact of IFAD Operations (ARRI) | To be completed in December 2010 | Completed. |
| | | IOE comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) | To be completed in September 2010 | Completed. |

| <i>Priority area</i> | <i>Type of work</i> | <i>Evaluation activities</i> | <i>Planned implementation status</i> | <i>Present status</i> |
|---|------------------------------------|--|--------------------------------------|--|
| | | IOE comments on the Report on IFAD's Development Effectiveness (RIDE) | To be completed in December 2010 | Will be undertaken as planned. The report with IOE's comments will be discussed with the Evaluation Committee at its November 2010 session and thereafter at the Board in December 2010. |
| | | IOE comments on selected IFAD operations policies prepared by IFAD Management for consideration by the Evaluation Committee | To be completed in December 2010 | Middle-income country strategy with IOE's comments will be discussed at the November session of the Evaluation Committee and the December 2010 session of the Executive Board. |
| | | Holding of four regular sessions, and additional ad hoc sessions, according to the revised Terms of Reference and Rules of Procedure of the Evaluation Committee | To be completed in December 2010 | Thus far, four formal (January, April, July and October) and two informal sessions have been held. One more formal session is planned in November. A series of ad hoc sessions will be held between October and December 2010 devoted exclusively to follow-up on the Peer Review. |
| Priority C: Evaluation outreach and partnerships | 5. Communication activities | Evaluation reports, Profiles, Insights, IOE website, etc. | January-December 2010 | Undertaken as planned. |
| | 6. Partnerships | ECG, NONIE, UNEG and SDC | January-December 2010 | Undertaken as planned. |
| | 7. Participation in CPMTs and OSCs | Attend all OSCs that discuss corporate policies and strategies, COSOPs and projects evaluated by IOE being considered for a follow-up phase. Participate selectively in CPMTs. | January-December 2010 | Undertaken as planned. Staff participated in a number of OSCs and CPMTs including on projects and COSOPs for Bangladesh, China, Ghana, India, Rwanda, the United Republic of Tanzania, Uganda and others. |
| | 8. Evaluation capacity development | Implementation of activities in partner countries related to evaluation capacity development | January-December 2010 | IOE made a presentation of its evaluation methods and process at the Asia-Pacific Finance and Development Center in China in October 2010. |
| Priority D: Evaluation methodology and effectiveness of IOE | 9. Methodological work | Quality assurance and supervision of methodology application | January-December 2010 | Undertaken as planned. |

| <i>Priority area</i> | <i>Type of work</i> | <i>Evaluation activities</i> | <i>Planned implementation status</i> | <i>Present status</i> |
|------------------------------|---------------------|--|--------------------------------------|---|
| | | Implementation of the results measurement matrix for monitoring and strengthening the effectiveness and quality of IOE's work, including reporting to the Evaluation Committee and Executive Board | January-December 2010 | The former results measurement matrix has been discontinued with the move in 2011 to a results-based work programme and budget. Elements from the former results measurement matrix have been used to define IOE's objectives, DMRs and key performance indicators. |
| | | IOE internal peer reviews of all evaluations | January-December 2010 | Undertaken as planned. |
| Additional activities | | | | |
| | | A pilot project for PCR validation and PPAs (five PCR validations and one PPA) | July-December 2010 | Pilot is being undertaken and will be completed as planned. Preliminary results are available. |
| | | Strengthen IOE's financial and human resource and administrative management. This involves three main elements: (i) Ensuring full tracking of all expenditures and commitments (ii) Streamlining process for identifying, selecting, contracting and managing consultants (iii) Tracking the implementation progress of evaluation activities | February-December 2010 | Activity plan developed and being implemented to address key issues raised by the Peer Review. |
| | | Development of new process and format for the evaluation agreement at completion point | June-October 2010 | Completed. |
| | | Expansion of the Evaluation Manual to include dedicated indicators for assessing the results in terms of gender equality and women's empowerment, climate change and scaling up. | December 2010 | Under preparation. Concerned document with indicators will be shared for information with the Evaluation Committee in its sixty-fifth session in November 2010. |

Proposed IOE work programme for 2011 and indicative plan for 2012-2013

Table 1

Proposed IOE work programme for 2011 according to types of activities

| <i>Type of work</i> | <i>IOE proposed activities for 2011</i> | <i>Start date</i> | <i>Expected finish</i> |
|---|--|------------------------------|------------------------|
| 1. Corporate-level evaluations | IFAD's Private-Sector Development and Partnership Strategy | Nov-09 | May-11 |
| | Approaches and results in promoting gender equity and women's empowerment in IFAD operations (outreach activities only) | Jan-11 | Dec-11 |
| | An assessment of institutional efficiency and efficiency of IFAD-funded operations | Jan-11 | Apr-12 |
| 2. Country programme evaluations | Ghana | Nov-10 | Dec-11 |
| | Haiti | Nov-11 | Dec-12 |
| | Jordan | Jan-11 | Mar-12 |
| | Nepal | Nov-11 | Dec-12 |
| | Rwanda | Nov-10 | Dec-11 |
| | Uganda | Jan-11 | Mar-12 |
| | Viet Nam | Nov-10 | Dec-11 |
| 3. Project evaluations | Yemen | Nov-09 | Jun-11 |
| | 3.1. Project completion report validation 3.2. Project performance assessment | 25 PCR validations 6 PPAs | Jan-11 |
| 4. Evaluation Committee and Executive Board | Review of the implementation of the results-based work programme for 2011 and indicative plan for 2012-2013, and preparation of the results-based work programme and budget for 2012 and indicative plan for 2013-2014 | Jul-11 | Dec-11 |
| | Ninth Annual Report on Results and Impact of IFAD Operations (ARRI) | Jan-11 | Dec-11 |
| | IOE comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) | Jun-11 | Sep-11 |
| | IOE comments on the Report on IFAD's Development Effectiveness (RIDE) | Oct-11 | Dec-11 |
| | IOE comments on the following IFAD operations policies for consideration by the Evaluation Committee: (i) Gender policy (ii) Country presence (iii) Private sector | Jan-11 | Dec-11 |
| | Participation in four regular sessions, and additional ad hoc sessions, according to the Terms of Reference and Rules of Procedure of the Evaluation Committee | Jan-11 | Dec-11 |

| <i>Type of work</i> | <i>IOE proposed activities for 2011</i> | <i>Start date</i> | <i>Expected finish</i> |
|--|---|-------------------|------------------------|
| 5. Communication and knowledge management activities | Evaluation reports, Profiles, Insights, website, etc. | Jan-11 | Dec-11 |
| | Evaluation syntheses on: (i) Refining IFAD's development and targeting strategies to support poor smallholder farmers (ii) Direct supervision and implementation support of IFAD-financed projects | Jan-11 | Dec-11 |
| | Attend all OSCs that discuss corporate policies and strategies, COSOPs and selected projects evaluated by IOE. Participate selectively in CPMTs, and quality enhancement and quality assurance groups. | Jan-11 | Dec-11 |
| | | | |
| 6. Partnerships | ECG, NONIE, UNEG and SDC partnership | Jan-11 | Dec-11 |
| 7. Methodology | Fine-tune as needed the methodology for PCR validation and PPAs | Jan-11 | Dec-11 |
| | Implement adjustments to IOE evaluation methodology in terms of gender, climate change and scaling-up | Jan-11 | Dec-11 |
| | Revise and implement harmonization agreement between IOE and IFAD Management on independent and self-evaluation methodology and processes | Jan-11 | Dec-11 |
| 8. Evaluation capacity development | Implementation of activities in partner countries related to evaluation capacity development. In particular, provide training course at the Asia-Pacific Finance and Development Center for development practitioners from the region, and undertake other activities | Jan-11 | Dec-11 |
| 9. Financial, human resources and administrative management | Activities for strengthening financial, human resources and administrative management including, consultants' management, evaluation planning and budget monitoring | Jan-11 | Dec-11 |
| 10. Peer Review of IFAD's Office of Evaluation and Evaluation Function | Revise the IFAD Evaluation Policy | Jan-11 | May-11 |
| | Comment on the revised Terms of Reference and Rules of Procedure of the Evaluation Committee | Jan-11 | Sep-11 |

Table 2
IOE indicative plan for 2012-2013 according to types of activities

| <i>Type of work</i> | <i>IOE proposed indicative plan for 2012-2013</i> | <i>Year</i> |
|---|---|-------------|
| 1. Corporate-level evaluations | Supervision and implementation support | 2012 |
| | Revised IFAD Policy on Grant Financing | 2013 |
| | IFAD's policy dialogue approaches and results | 2013 |
| 2. Country programme evaluations | Options: the Plurinational State of Bolivia, Burkina Faso, Cambodia, Ecuador, Guatemala, Madagascar, Mauritania, the Philippines, Senegal, the Syrian Arab Republic and the United Republic of Tanzania | 2012-2013 |
| 3. Project evaluations | | |
| 3.1 Project completion report validation | Around 25 PCR validations/year | 2012-2013 |
| 3.2 Project performance assessment | Around 6 PPAs/year | |
| 4. Evaluation Committee and Executive Board | Review of the implementation of the results-based work programme for 2012 and indicative plan for 2013-2014 and preparation of the results-based work programme and budget for 2013 and indicative plan for 2014-2015 | 2012 |
| | Review of the implementation of the results-based work programme for 2013 and indicative plan for 2014-2015 and preparation of the results-based work programme and budget for 2014 and indicative plan for 2015-2016 | 2013 |
| | Tenth and eleventh ARRIIs | 2012-2013 |
| | IOE comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) | 2012-2013 |
| | IOE comments on the Report on IFAD's Development Effectiveness (RIDE) | 2012-2013 |
| | IOE comments on selected IFAD operations policies prepared by IFAD Management for consideration by the Evaluation Committee | 2012-2013 |
| | Participation in four regular sessions, and additional ad hoc sessions, according to the revised Terms of Reference and Rules of Procedure of the Evaluation Committee | 2012-2013 |
| | Evaluation reports, Profiles, Insights, website, etc. | 2012-2013 |
| | 2 evaluation syntheses each year | 2012-2013 |
| | Attend all OSCs that discuss corporate policies and strategies, COSOPs and selected projects evaluated by IOE. Participate selectively in CPMTs, and quality enhancement and quality assurance groups | 2012-2013 |
| 6. Partnerships | ECG, NONIE, UNEG and SDC partnership | 2012-2013 |
| 7. Methodology | Continue to make adjustments to the evaluation methodology to reflect key emerging issues | 2012-2013 |
| | Implement revised harmonization agreement between IOE and IFAD Management on independent and self-evaluation methodology and processes | 2012-2013 |
| 8. Evaluation capacity development | Implementation of activities in partner countries related to evaluation capacity development | 2012-2013 |
| 9. Financial, human resources and administrative management | Activities for strengthening financial, human resources and administrative management including, consultants management, evaluation planning and budget monitoring | 2012-2013 |

Table 3
Provisional IOE's proposed activities according to IOE divisional management results and objectives

| <i>IOE's objectives</i> | <i>IOE divisional management results</i> | <i>IOE proposed activities for 2011</i> | <i>IOE proposed indicative plan for 2012-2013</i> | |
|---|--|--|---|---|
| Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations | DMR 1: High-quality ARRI and CLEs that provide building blocks for the development and implementation of better corporate policies and processes | Ninth ARRI | Tenth and eleventh ARRI | |
| | | CLE on IFAD's Private-Sector Development and Partnership Strategy CLE on efficiency | 2012: CLE on supervision and implementation support 2013: CLE on grants policy 2013: CLE on IFAD's policy dialogue approaches and results | |
| | | Comments on new policies (country presence, gender and private sector) | Comments on new policies, as required | |
| Strategic objective 2: Promote effective knowledge management and learning | DMR 2: High-quality CPEs that serve as building blocks for better results-based COSOPs | Complete CPEs in Ghana, Rwanda, Viet Nam and Yemen Start CPEs in Haiti, Jordan, Nepal and Uganda to be completed in 2012 | Options include: the Plurinational State of Bolivia, Burkina Faso, Cambodia, Ecuador, Guatemala, Madagascar, Mauritania, the Philippines, Senegal, the Syrian Arab Republic and the United Republic of Tanzania | |
| | | DMR 3: Project evaluations that contribute to better IFAD-supported operations | 25 PCR validations 6 PPAs | Around 25 PCR validations each year Around 6 PPAs each year |
| | | DMR 4: Production of evaluation syntheses and ARRI learning themes | 2 evaluation syntheses Analysis of one ARRI learning theme | 2 evaluation syntheses each year Analysis of one ARRI learning theme each year |
| Operational objective 1: Enhanced IOE efficiency | DMR 5: Systematic communication and outreach of IOE's work | Dissemination of evaluation reports, Profiles, Insights, and enhancement of the website | Dissemination of evaluation reports, Profiles, Insights, and enhancement of the website | |
| | | Internal platforms (OSCs, CPMTs, quality enhancement and quality assurance) | Internal platforms (OSCs, CPMTs, quality enhancement and quality assurance) | |
| | | In-country learning workshops | In-country learning workshops | |
| Operational objective 1: Enhanced IOE efficiency | DMR 6: More efficient financial, human resource and administrative management | Partnership: ECG, UNEG, NONIE and SDC | Partnership: ECG, UNEG, NONIE and SDC | |
| | | Participation in evaluation learning events or meetings of evaluation societies | Participation in evaluation learning events or meetings of evaluation societies | |
| | | Learning workshops for the CLEs on gender, private sector, etc. | Other outreach activities | |
| Operational objective 1: Enhanced IOE efficiency | DMR 6: More efficient financial, human resource and administrative management | Activities for strengthening financial, human resource and administrative management including consultants management, evaluation planning and budget monitoring | Activities for strengthening financial, human resources and administrative management including consultants management, evaluation planning and budget monitoring | |
| | | Review of the implementation of the results-based work programme for 2011 and indicative plan for 2012-2013, and preparation of the results-based work programme and budget for 2012 and indicative plan 2013-2014 | Review of the implementation of the results-based work programme for 2012 and indicative plan for 2013-2014 and preparation of the results-based work programme and budget for 2013 and indicative plan 2014-2015 | |

| <i>IOE's objectives</i> | <i>IOE divisional management results</i> | <i>IOE proposed activities for 2011</i> | <i>IOE proposed indicative plan for 2012-2013</i> |
|--|--|---|---|
| | | | Review of the implementation of the results-based work programme for 2013 and indicative plan for 2014-2015 and preparation of the results-based work programme and budget 2014 and indicative plan 2015-2016 |
| Operational objective 2: Methodology development | DMR 7: Methodology development for independent evaluation work | Adjustments to evaluation methodology in terms of gender, climate change and scaling-up | Make adjustments to the evaluation methodology as required |
| | | Partnership: ECG, NONIE, SDC, UNEG | Partnership: ECG, NONIE, SDC, UNEG |
| | DMR 8: Support to the self-evaluation function of IFAD and its Member States. | Revise and implement harmonization agreement between IOE and IFAD Management on independent and self-evaluation methodology and processes | Implement revised harmonization agreement on independent and self-evaluation methodology and processes. |
| | | Comments on RIDE, PRISMA | Comments on RIDE, PRISMA |
| | | Assessing quality of monitoring and evaluation (M&E) systems at the project and country level and participating in in-house task force on results measurement | Assessing quality of M&E systems at the project and country level and participating in in-house task force on results measurement |
| Implementation of activities in partner countries related to evaluation capacity development | Implementation of activities in partner countries related to evaluation capacity development | | |

Evaluations contained in the previous 2011-2012 indicative plan¹ that are either deferred or dropped

| <i>Nature of evaluation</i> | <i>IOE's proposal to drop or defer and rationale</i> |
|--|--|
| CLE on IFAD Policy on Supervision and Implementation Support in 2013 | The proposal is to conduct this evaluation in 2012, six years after the Board's approval of the supervision policy. |
| CLE on IFAD's policy dialogue approaches and results in 2012 | This evaluation will be deferred to 2013, to make space for other priority CLEs. Policy dialogue performance is being covered in all CPEs done by IOE, and in corporate-level evaluations on specific subjects (e.g. gender, private sector). |
| Thematic evaluation of a portfolio of projects and programmes on small island developing states in 2012 in the Asia and the Pacific region | This evaluation will be dropped, mainly because IFAD has not financed sizeable operations in small island developing states in the past decade. |
| Thematic evaluation of emergency responses in the Asia and the Pacific region to be undertaken in 2012 | Such a thematic evaluation is not considered a priority given IFAD's mandate to promote sustainable rural poverty reduction through investment projects in agriculture and rural development. |
| Technical assistance in the Latin American and the Caribbean region – time to be determined | This evaluation has been dropped as it is no longer a priority for the relevant regional division. |
| <p>Project completion evaluations: Cape Verde: Rural Poverty Alleviation Programme in 2011 Egypt: East Delta Newlands Agricultural Services Project in 2012 Haiti: Food Crops Intensification Project – Phase II in 2011 Madagascar: North-East Agricultural Improvement and Development Project in 2011 Mongolia: Rural Poverty-Reduction Programme in 2011 Peru: Market Strengthening and Livelihood Diversification in the Southern Highlands Project in 2012 Senegal: Agricultural Development Project in Matam – Phase II in 2011 Uruguay: National Smallholder Support Programme – Phase II (PRONAPPA II) in 2011</p> <p>Project interim evaluations: Morocco: Rural Development Project in the Mountain Zones of Al-Haouz Province in 2011 Uganda: Rural Financial Services Programme Tunisia: Agropastoral Development and Local Initiatives Promotion Programme for the South-East</p> | <p>All project completion evaluations will be dropped as per the recommendation of the Peer Review of IFAD's Office of Evaluation and Evaluation Function for IOE to move to PCR validations and PPAs.</p> <p>All interim project evaluations will be dropped as the Peer Review has recommended abolishing the mandatory undertaking of interim evaluations before the preparation and approval of a subsequent phase of a project.</p> |

¹ See annex XV, document GC 33/L.4.

IOE DMRs and key performance indicators

Table 1
Key performance indicators

| <i>IOE objectives</i> | <i>IOE DMRs</i> | <i>Key performance indicators</i> | <i>Means of verification</i> | <i>2011 baseline*</i> | <i>2014 target*</i> |
|--|--|--|---|-----------------------|---------------------|
| Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations | DMR 1: High-quality ARRIs and CLEs that provide building blocks for the development and implementation of better corporate policies and processes | 1. Percentage of evaluation recommendations adopted by IFAD Management and borrowing governments authorities, as captured in the agreement at completion point | PRISMA | - | - |
| | | 2. Number of Evaluation Committee and Executive Board members providing positive feedback to evaluation | Reports and minutes of the Evaluation Committee and Executive Board | - | - |
| | DMR 2: High-quality CPEs that serve as building blocks for better results-based COSOPs | 3. Percentage of evaluations completed in full compliance with the IFAD Evaluation Policy and IOE evaluation methodology | IOE's internal peer review | 100% | 100% |
| Strategic objective 2: Promote effective knowledge management and learning | DMR 4: Production of evaluation syntheses and ARRI learning themes | 4. Number of key learning events organized by IOE within IFAD | IOE record | 2 events | 4 events |
| | | 5. Number of OSC, CPMT, quality assurance and quality enhancement meetings and other major in-house learning events attended by IOE staff for knowledge sharing including the number of interventions made | IOE record | - | - |
| | DMR 5: Systematic communication and outreach of IOE's work | 6. Number of external knowledge events with IOE staff participation to share lessons from evaluation | IOE record | - | - |
| | 7. Evaluation reports, Profiles and Insights issued within three months of established completion date (following signing of Agreement at Completion Point or finalization of management response) and disseminated to internal and external audiences | IOE record | 80% | 100% | |
| | 8. Number of hits on the evaluation section of the corporate website | Specific application for managing users' statistics | - | - | |

| <i>IOE objectives</i> | <i>IOE DMRs</i> | <i>Key performance indicators</i> | <i>Means of verification</i> | <i>2011 baseline*</i> | <i>2014 target*</i> |
|--|---|---|----------------------------------|-----------------------|---------------------|
| Operational objective 1: Enhanced IOE efficiency | DMR 6: More efficient financial, human resource and administrative management | 9. IOE work programme completed against approved annual targets and timelines, including finalization of activity plan to enhance financial and administrative management | IOE record | - | - |
| | | 10. IOE annual budget remains within the cap established by the Executive Board and is developed with the ratio between the proposed 2011 IOE budget and IFAD administrative budget as guidelines | IOE record | - | - |
| | | 11. One or two IOE Professional staff members sent on evaluation training each year, on a rotational basis | IOE record | - | - |
| | | 12. The Evaluation Process Tracking System developed and fully implemented | IOE record | - | - |
| Operational objective 2: Methodology development | DMR 7: Methodology development for independent evaluation work | 13. Evaluation methodology enhanced to reflect key emerging issues, such as gender, climate change and scaling up | IOE record | - | - |
| | | 14. Senior independent advisers certify the quality of evaluation process and methodology used, as and when they are hired | SIA reports | 100% | 100% |
| | DMR 8: Support to the self-evaluation function of IFAD and its Member States | 15. The development and implementation of the harmonization agreement on evaluation methodology between PMD and IOE | Reported through PCR validations | - | - |
| | | 16. Number of events attended by IOE staff, related to self-evaluation and evaluation capacity development, including number of interventions made | IOE record | - | - |

* These columns include examples of baseline and targets. The full set of baseline values and targets will be developed for all indicators in 2011, and presented accordingly to the Evaluation Committee and Board next year for their consideration.

Table 2

IOE's divisional management results, objectives and their contribution to IFAD's corporate management results and outcome

| <i>IOE DMRs</i> | <i>IOE objectives</i> | <i>Contribution to IFAD CMRs</i> | <i>Contribution to IFAD outcome</i> |
|---|---|----------------------------------|---|
| DMR 1: High-quality ARRIs and CLEs that provide building blocks for the development and implementation of better corporate policies and processes | Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations | CMRs 1, 2 and 3 | Outcome 1: Effective national policy, harmonization, programming, institutional and investment framework for rural poverty reduction |
| DMR 2: High-quality CPEs that serve as building blocks for better results-based COSOPs | | | |
| DMR 3: Project evaluations that contribute to better IFAD-supported operations (PCR validation and PPAs) | | | |
| DMR 4: Production of evaluation syntheses and ARRI learning themes | Strategic objective 2: Promote effective knowledge management and learning | CMR 8 | Outcome 2: Supportive global resource mobilization and policy framework for rural poverty reduction |
| DMR 5: Systematic communication and outreach of IOE's work | | | |
| DMR 6: More efficient financial, human resource and administrative management | Operational objective 1: Enhanced IOE efficiency | CMRs 4, 5, 6 and 7 | Outcome 3: An effective and efficient management and institutional service platform at headquarters and in-country for achievement of operational results |
| DMR 7: Methodology development for independent evaluation work | Operational objective 2: Methodology development | CMRs 1, 2 and 3 | Outcome 1: Effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction |
| DMR 8: Support to the self-evaluation function of IFAD and its Member States | | | |
| IFAD corporate management results: CMR 1: Better country programme management; CMR 2: Better project design (loans and grants); CMR 3: Better supervision and implementation support; CMR 4: Better financial resource management; CMR 5: Better human resource management; CMR 6: Better results and risk management; CMR 7: Better administrative efficiency and an enabling work and information and communications technology (ICT) environment; CMR 8: Better inputs into global policy dialogues for rural poverty reduction; CMR 9: Effective and efficient platform for Members' governance of IFAD; CMR 10: Increased mobilization of resources for rural poverty reduction. | | | |

IOE staff levels for 2011

Human resource category

| <i>Human resource category</i> | <i>Number in 2010</i> | <i>Number in 2011</i> |
|--|-----------------------|-----------------------|
| Director | 1 | 1 |
| Deputy Director | 1 | 1 |
| Senior evaluation officers | 3 | 3 |
| Evaluation officers | 4 | 4 |
| Evaluation/communication officer | 1.5 | 1.5 |
| Evaluation research analyst/Finance and administration officer | 1 | 1 |
| Total Professional staff | 11.5 | 11.5 |
| Administrative assistant | 1 | 1 |
| Assistant to the Director | 1 | 1 |
| Evaluation assistants | 6 | 6 |
| Total General Service staff | 8 | 8 |
| Grand total | 19.5 | 19.5 |

In 2011, IOE will also benefit from the services of three associate professional officers (APO) from Belgium, Germany and Sweden. However, a sizeable part of APO time is dedicated to training and professional development, in addition to their contributions to evaluation work.

IOE's General Service staff level over years

| <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011 (proposed)</i> |
|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------|
| 9.5 | 9.5 | 9.5 | 8.5 | 8.5 | 8 | 8 |

Proposed IOE budget for 2011

Table 1

IOE's overall budget 2011

(In United States dollars)

| | 2007 budget ^a | 2008 budget ^a | 2009 budget ^b | 2010 budget ^b (1) | Proposed 2011 budget | | | |
|------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|----------------------|------------------------------------|--|---|
| | | | | | Real decrease (2) | Price increase ^c (3) | Exchange rate increase/decrease ^d (4) | Total 2011 budget at US\$1 = EUR 0.72 (5)=(1)-(2)+(3)+/-(4) |
| Evaluation work | | | | | | | | |
| Non-staff costs | 2 990 565 | 2 465 565 | 2 696 000 | 2 600 000 | 392 899 | 30 899 | 0 | 2 238 000 ^e |
| Evaluation work | | | | | | | | |
| Staff costs | 2 835 130 | 2 777 012 | 3 157 851 | 3 620 204 | 0 | 25 372 | 0 | 3 645 576 |
| Total | 5 825 695 | 5 242 577 | 5 853 851 | 6 220 204 | 392 899 | 56 271 | 0 | 5 883 576^f |
| Percentage over 2010 budget | | | | 100% | 6.3% | 0.9% | 0% | 94.6% |

^a Restated budget. As for the rest of IFAD, figures are restated during the year by IFAD's Strategic Planning and Budget Division to take into account fluctuations of the US\$/EUR exchange rate.

^b As approved by the Governing Council (at the exchange rate of US\$1 = EUR 0.79 in 2009 and US\$1 = EUR 0.722 in 2010).

^c As for the rest of IFAD and conveyed by the Strategic Planning and Budget Division. Price increase for non-staff costs is 1.4 per cent. For staff costs, this increase is the difference between 2010 and 2011 standard costs (at the exchange rate of US\$1 = EUR 0.722).

^d As conveyed by the Strategic Planning and Budget Division, the exchange rate to be applied is US\$1 = EUR 0.72, i.e the same exchange rate used in the estimation of the 2010 administrative budget. Therefore, exchange rate increase/decrease is zero.

^e See table 2 for further details on non-staff costs

^f Figures presented in this table are not the same as those given in the IOE's results-based work programme and budget for 2011 and indicative plan for 2012-2013 presented to the Evaluation Committee on 8 October 2010. This is the result of the application of a different exchange rate which was suggested by the Strategic Planning and Budget Division, following the presentation of the IOE budget to the Evaluation Committee in October 2010.

Table 2
IOE budget proposal breakdown for non-staff costs

| <i>Cost category</i> | <i>Absolute number</i> | <i>Number in full time equivalent^a</i> | <i>Standard unit costs^b(US\$)</i> | <i>Proposed non-staff costs in 2011 (US\$)</i> |
|---|------------------------|---|--|--|
| ARRI | 1 | 1 | 150 000 | 150 000 |
| Corporate-level evaluations | 3 | 1.8 | Differentiated cost based on the scope and nature of issues to be assessed: 300 000-450 000 | 470 000 |
| Country programme evaluations | 8 | 4.9 | Differentiated cost based on the size of the portfolio, size of the country, travel cost and the availability of evaluative evidence: 235 000-315 000 | 1 195 000 |
| PCR validations | Around 25 | Around 25 | - | - ^c |
| PPAs | Around 6 | Around 6 | 20 000 | 120 000 |
| Evaluation syntheses | 2 | 2 | - | 100 000 |
| Communication, outreach, knowledge sharing and partnership activities | - | - | - | 98 000 |
| Methodology | - | - | - | 30 000 |
| Evaluation capacity development | - | - | - | 15 000 |
| Overhead ²⁴ and miscellaneous costs | - | - | - | 60 000 |
| Total | | | | 2 238 000 |

^a Many evaluations start in a particular year but are completed in the following year. This figure represents the percentage of time that IOE will devote to such evaluations in 2011.

^b Standard unit costs include also the costs for staff travel when necessary.

^c However, this activity will involve around 200 days of staff time (the standard unit cost in terms of staff time is eight days/PCR validation).

²⁴ Operating expenses including telephone bills and office supplies

Table 3

IOE proposed budget allocation (staff and non-staff costs) by objective and divisional management result

(In United States dollars)

| <i>OE objectives</i> | <i>OE DMR</i> | <i>Proposed budget (staff and non-staff cost)</i> | <i>Percentage overall total proposed budget</i> |
|---|---|---|---|
| Strategic objective 1: Contribute to improving the performance of IFAD-funded policies and operations | DMR 1: High-quality ARRIs and CLEs that provide building blocks for the development and implementation of better corporate policies and processes | 1 026 536 | 17% |
| | DMR 2: High-quality CPEs that serve as building blocks for better results-based COSOPs | 1 969 148 | 34% |
| | DMR 3: Project evaluations that contribute to better IFAD-supported operations | 695 521 | 12% |
| Total for strategic objective 1 | | 3 691 205 | 63% |
| Strategic objective 2: Promote effective knowledge management and learning | DMR 4: Production of evaluation syntheses and ARRI learning themes | 485 205 | 8% |
| | DMR 5: Systematic communication and outreach of IOE's work | 754 386 | 13% |
| Total for strategic objective 2 | | 1 239 591 | 21% |
| Operational objective 1: Enhanced IOE efficiency | DMR 6: More efficient financial, human resource and administrative management | 368 689 | 6% |
| Total for operational objective 1 | | 368 689 | 6% |
| Operational objective 2: Methodology development | DMR 7: Methodology development for independent evaluation work | 380 409 | 7% |
| | DMR 8: Support to the self-evaluation function of IFAD and its Member States | 203 682 | 3% |
| Total for operational objective 2 | | 584 091 | 10% |
| Grand total | | 5 883 576 | 100% |

Recommendations of the Peer Review and IFAD's governing bodies on IOE's work programme and budget

Recommendations of the Peer Review and IFAD's governing bodies on IOE's work programme and budget

IOE's responses

A. Recommendations of the Peer Review

The documentation for IOE's workplan submitted to the Evaluation Committee should include an appendix providing the criteria used to set priorities for inclusion of evaluations in the work programme; and listing the requested evaluations that were not included, as well as the evaluations included in the previous work programme approved by the Executive Board that were dropped or deferred

Criteria used to set priorities for inclusion of evaluations in the work programme are described in section V.

Annex XIII provides a list of requested evaluations that were not included, as well as evaluations included in the previous work programme approved by the Executive Board but now proposed for elimination or deferral.

IOE should provide a more detailed financial breakdown in the budget submissions to the Evaluation Committee in order for the Committee to assess IOE's budget request and the efficiency with which financial resources are being used

IOE provides more budget information in this document (see annex XVI).

IOE should present its budget in conformity with IFAD's rules for budget structure and layout

Similar to IFAD's annual administrative budget for 2011, this is the first time IOE has followed the zero-based budget approach and linked its resource requirements to the achievement of key results.

Shift the primary responsibility for providing support to the Evaluation Committee and its Chair from IOE to the Office of the Secretary (administrative support and field visit)

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). There is no provision for the Evaluation Committee visit to be organized by IOE.

IOE should move to a scenario in which evaluation of the core operations portfolio is based on validated evidence from PCRs and IOE's project performance assessments. IOE should adopt a lighter, less costly approach for project evaluations - particularly for projects for which satisfactory PCRs have been produced - and drop the costly, intensive project evaluations, replacing them with project assessments drawing more heavily on the available PCRs

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). IOE will no longer undertake project evaluations, and will start validating all PCRs and undertaking selected project performance assessments.

PMD and IOE should ensure full harmonization of their approach in order to facilitate the transition to PCR validation by IOE

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). The harmonization agreement will be amended to reflect the new roles and responsibilities of IOE and PMD.

Transfer responsibility for the agreement at completion point process from IOE to PMD

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). New process and format for the agreement at completion point will be developed.

IOE should produce more syntheses to facilitate learning and the use of evaluation findings

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). Syntheses will be produced from 2011.

IOE should seek opportunities to present evaluation findings in various external forums organized by others

This has been taken into consideration by IOE in preparing its work programme and budget (see annex XII). IOE will participate in both internal and external platforms and forums to present evaluation findings.

B. Recommendations of IFAD's governing bodies

In developing the list of CLEs, IOE should consider the commitments that IFAD has to fulfil during the Eighth Replenishment period

This has been taken into consideration by IOE when developing its plan for CLEs (see sections III and VI).

| <i>Recommendations of the Peer Review and IFAD's governing bodies on IOE's work programme and budget</i> | <i>IOE's responses</i> |
|---|---|
| IOE should reflect upon the implications for its work programme and resources of the planned increases in IFAD's overall programme of work in the Eighth Replenishment period | This has been taken into consideration by IOE when developing its work programme (see section III). |
| IOE should provide more details with respect to its requirements in terms of human and financial resources, including cost of different evaluation activities | More detailed budget information has been provided in this document (see annexes XV and XVI). |

Methodology for undertaking PCR validations and project performance assessments

1. **Background.** The purpose of this annex is to provide a snapshot of the methodology and process that will be followed by IOE in conducting the new form of project evaluation that includes undertaking PCR validations and PPAs. The methodology and process reflect the results of the pilot project on PCR validations and PPAs implemented in 2010, as well as the methodologies and experiences of other international financial institutions (IFIs). The methodology and process will be further fine-tuned as required once the first full cohort of PCRs has been validated and the PPAs undertaken in 2011.
2. By undertaking PCR validations and PPAs, IOE is expected to fulfil the same objectives as those covered by project evaluations in the past. These include:
 - (i) an assessment of the performance and impact of IFAD-financed operations; and
 - (ii) generation of lessons learned that can serve to improve the design and implementation of future operations.
3. In particular, this annex provides an overview of the definition and coverage, methodology and process for conducting PCR validation and PPAs.
4. **Definition and coverage of PCR validations and PPAs.** A project completion report validation (PCRv) is an independent assessment by IOE of PCRs prepared for each completed IFAD-financed operation. PCRvs will be based on a desk review of documents and interactions with the IFAD operations staff and concerned government authorities. It will include an assessment of the overall quality and contents of PCRs, including validation of the ratings across the evaluation criteria contained therein. PCRvs will be undertaken for all completed projects for which a PCR is available.
5. A PPA will be undertaken for projects that have previously undergone a PCRv by IOE. The PPA consists of further review of documentation and field visits involving meetings with key stakeholders and visits to selected project sites. PPAs will be conducted on a sample of projects for which PCRvs have been conducted in a given year (see chart 1).
6. The sample of PPAs will be selected using the following criteria:
 - (i) major information gaps, inconsistencies, and analytical weaknesses in the PCRs found by IOE during the validation process; (ii) innovative project approaches; (iii) need to build an evidence base for higher-plane evaluations planned in the future; (iv) geographical balance; and (v) any disconnect between the ratings contained in the PCR and those generated by IOE during the validation process. As per the practice in other IFIs, PPAs will be conducted on around 25 per cent of all completed projects whose PCRs have been validated by IOE.
7. **Methodology and process for PCRvs and PPAs.** IOE has prepared a methodology and a set of guidelines for both PCRvs and PPAs. PCRvs will cover the same criteria used in project evaluations in the past.¹ Against each criterion, the PCRv will first summarize the PCR findings of a given project. Thereafter, the PCRv will provide its own analysis of the robustness of the PCR's findings and the corresponding ratings attributed. Using the questions specified in the Evaluation Manual (2009), PCRvs will assign their own independent ratings to each criterion, based on the available evidence contained in the PCR and other self-evaluation documents on the same project. A table will be included in each PCRv report, comparing the ratings from the PCR and those assigned during the PCRv process. The difference between the two, representing the net rating disconnect, will be

¹ The criteria are: relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation and scaling up, and performance of partners.

calculated criterion by criterion. The sum of all disconnects will yield the total disconnect, a synthetic measure of the difference between the assessment by PMD and by IOE.

8. In addition to the above, PCRVs will assess and rate the overall quality of the PCR as a document, based on its scope, reliability of data, quality of process and candour. Findings from PCRV's quality assessment are expected to contribute to further enhancing the quality of PCRs in the future.
9. PCRVs will not only serve as an accountability tool. They will also contribute to the learning loop by condensing lessons learned from the project and by extracting a set of recommendations that can be taken into consideration for future project design and implementation.
10. While IOE will have to rely mostly on available documentation and databases at IFAD, the following approaches will help ensure an independent and well-informed analysis in a PCRV: (i) assessing internal logical consistency of the PCRs; (ii) cross-checking and triangulating with other available IFAD documentation and databases as well as with external documentation, as appropriate; and (iii) adopting theory-based approaches, i.e. considering the project conceptual model and logical framework and checking whether crucial assumptions hold or have been violated. This may help provide a critique of unwarranted claims about a project's performance and impacts.
11. PCRVs will be exposed to internal peer reviews in IOE in order to ensure their quality and consistency across the board. Thereafter, the PCRVs will be shared with the IFAD operational divisions and their comments considered in line with the Evaluation Policy. The PCRV will then be enhanced as required, and transmitted to the concerned government authority for review and comments. Once these have been addressed, the PCRV report will be disclosed to the public, as per the disclosure provisions in the Evaluation Policy.
12. PPAs will cover the same evaluation criteria as PCRVs. As mentioned earlier, PPAs will be conducted on a sample of projects, only after these have undergone a PCRV. PPAs will involve field visits (of about a week), allowing for interaction with government staff, a site visit and first-hand verification and triangulation of evidence. A separate report will be produced for each PPA conducted.
13. The PPA rating will be IOE's final project evaluation rating. PPAs will also provide lessons learned and recommendations for knowledge management and improvements in the design and implementation of future projects.
14. Independence in judgement and credibility will be ensured by: (i) adopting theory-based approaches, probing the critical steps from outputs to impacts; (ii) concentrating field visits on the components or criteria that are problematic, innovative or in need of verification; (iii) conducting confirmatory case study exercises in a limited number of sites, so as to validate claims in the PCR or to visit areas that have not been adequately covered by the PCR, mid-term review or supervision missions; and (iv) addressing attribution problems by visiting non-beneficiary communities and taking into account "rival explanations", that is, alternative factors that have generated similar results to those attributed to the project.
15. PPAs will be prepared under IOE's responsibility and be submitted to an internal review process. They will also be shared with PMD and country authorities and finalized in the same way. It is to be noted that PCRV and PPAs will not require the preparation and signature of an agreement at completion point. This is in line with the practice of the evaluation offices of multilateral development banks, notably the World Bank's Independent Evaluation Group and the Asian Development Bank's Independent Evaluation Department.

Chart 1. PCRVs and PPAs and their use

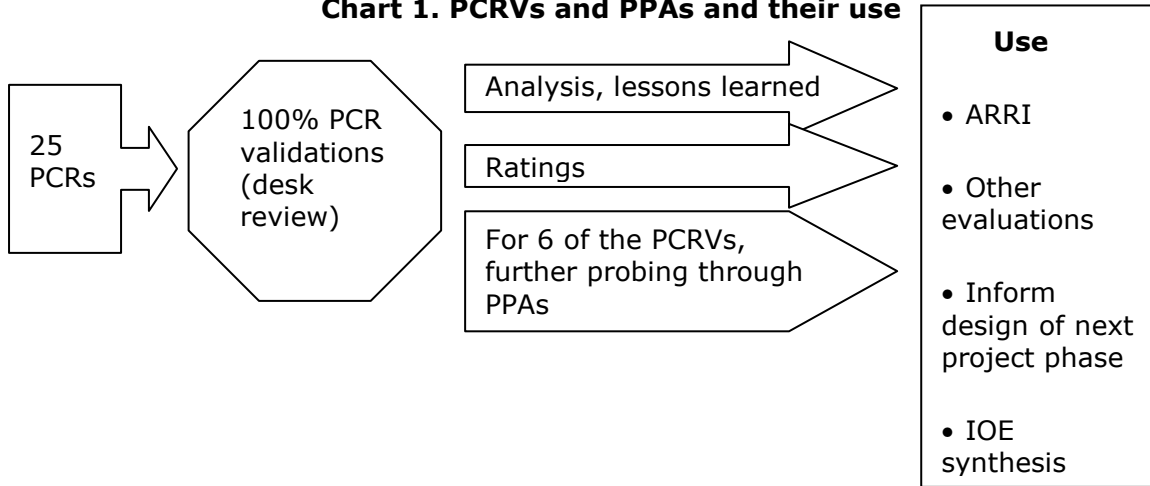
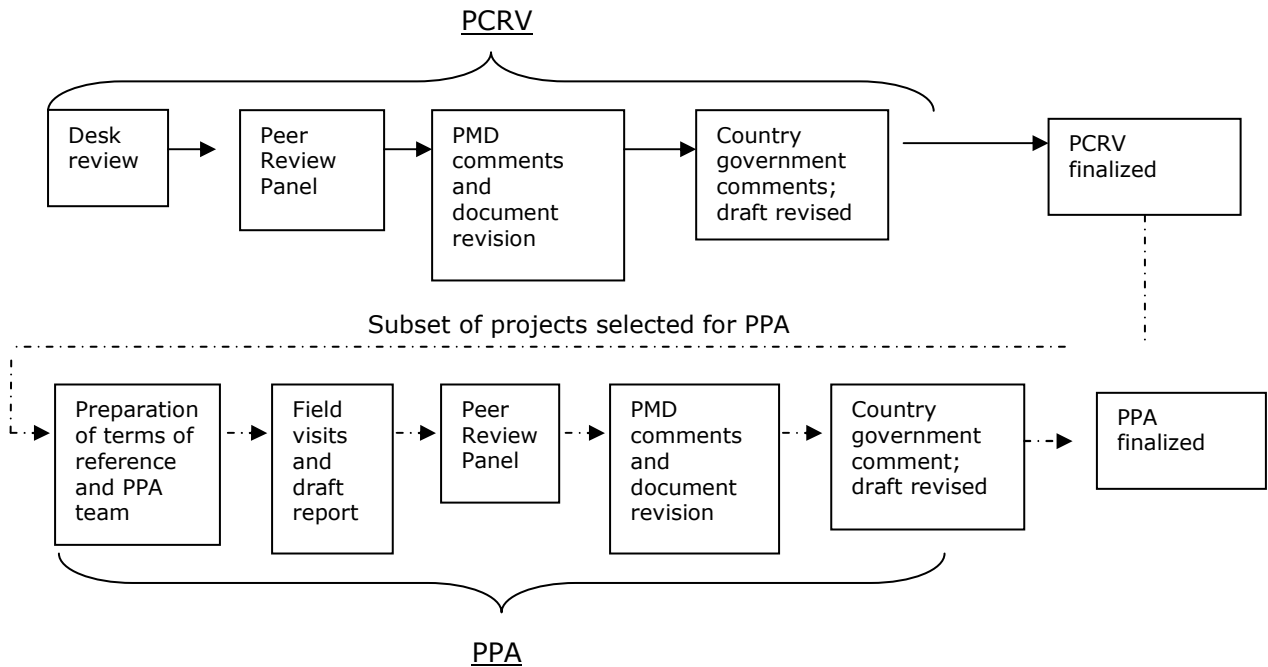


Chart 2. PCRV and PPA processes



A larger 2011 work programme

1. In 2011, IOE plans to deliver a larger work programme than in 2010. IOE draws this conclusion having calculated the level of effort for all activities in the 2010 work programme and comparing this with the activities planned in 2011. The table below provides a summary of this analysis. In order to calculate the size of the annual IOE work programme, the programme can be divided into four categories: (i) evaluation activities undertaken on a recurrent basis every year; (ii) evaluation activities that may vary in terms of level of effort from year to year; (iii) new evaluation activities, to be introduced starting from next year; and (iv) one-time activities, to be implemented only next year.
2. **Recurrent evaluation activities.** These include the preparation of the ARRI; development of the annual work programme and budget; preparation of written comments on the RIDE, PRISMA and selected corporate policies/strategies; and work entailed by the partnerships with UNEG, ECG, NONIE and SDC, and others. These activities will require the same level of resources as in the past.
3. **Activities that vary in terms of level of effort.** For some activities, IOE will have to invest a greater level of effort in 2011 than was the case in 2010. For example, IOE will devote more resources to conducting CPEs, given the larger number of such evaluations that IOE will work on next year. This category also includes activities requiring a reduced level of effort. One such example is found in project evaluation: even though in absolute numbers next year IOE will undertake more PCR validations and PPAs – its new form of project evaluation - the total estimated level of work will be lower.
4. **New evaluation activities.** Under this category, IOE has estimated the level of effort needed for the introduction of new tasks on a standing basis, starting from 2011. Examples of new activities include the production of evaluation syntheses and the more systematic participation of IOE staff in selected in-house quality enhancement and quality assurance groups and in other in-house learning platforms.
5. **One-time activities.** Tasks to be performed by IOE only in 2011 include the preparation of: the revised Evaluation Policy; written comments on the revised Terms of Reference and Rules of Procedure of the Evaluation Committee; a new harmonization agreement between IOE and PMD on independent and self evaluation methodologies; and any inputs that will be required for the ninth replenishment process.

Comparison between the proposed 2011 work programme and the 2010 work programme

| <i>Name of activities</i> | <i>Difference between 2010 and 2011</i> | |
|-----------------------------------|---|-------------|
| | <i>Professional staff: Level of effort (working days)</i> | |
| Recurrent evaluation activities | | SAME |
| Variable evaluation activities | | + 136 |
| New evaluation activities in 2011 | | +80 |
| One-time activities in 2011 | | +50 |
| Total | | +266 |

