

Document: EB 2010/101/R.3
Agenda: 3
Date: 8 December 2010
Distribution: Public
Original: English

E



Enabling poor rural people
to overcome poverty

Report of the Audit Committee on 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

Note to Executive Board representatives

Focal points:

Technical questions:

Bambis Constantinides
Director, Financial Services Division
Tel.: +39 06 5459 2054
e-mail: c.constantinides@ifad.org

Dispatch of documentation:

Liam F. Chicca
Governing Bodies Officer
Tel.: +39 06 5459
e-mail: l.chicca@ifad.org

Executive Board — 101st Session
Rome, 14-16 December 2010

For: Review

Report of the Audit Committee on 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

1. The Audit Committee wishes to report to the Executive Board on the discussion that took place at the 117th meeting of the Committee held on 5 November 2010 in examining the item entitled above.
2. The Committee was informed that the programme of work had a target of US\$1.5 billion. Of this amount, US\$1.0 billion would be financed from IFAD's regular resources and US\$500 million from other sources.
3. The total administrative budget is US\$ 141.95 million – representing a 6.4 per cent real increase on the previous year – to support a 43 per cent increase in the programme of work. Within this, Management proposes an increase of 11.4 per cent for country programme development and implementation in cluster 1, with the Programme Management Department receiving 90 per cent of the total budget for the cluster. The increase in cluster 2 initially presented in September has been reduced; while cluster 3 and cluster 4 will have a real cut in their budget levels – of 2.2 per cent and 1.2 per cent respectively. The Director, Strategic Planning and Budget Division informed the meeting that there will be an increase in the standard costs of staff of only 0.8 per cent compared with 7.8 per cent in 2009 and 4.1 per cent in 2010. This reflects a freeze in automatic increases in General Service staff salaries in Rome.
4. The capital budget proposal is US\$15.2 million, the bulk of which is accounted for by the Loan and Grant System (LGS) replacement project which is currently estimated to cost up to US\$12 million. Other items covered by the capital budget are the automation of business processes in human resource management and enhancement of security in response to the recommendations of the United Nations Department of Safety and Security.
5. A separate corporate budget line of US\$2 million was presented for the Consultation on the Ninth Replenishment of IFAD's Resources, which includes the costs of an external chair and an external consultation session. A special provision of US\$490,000 has been made for the 2011 Governing Council session.
6. The Director, IFAD Office of Evaluation (IOE) informed the Committee that the 2011 budget for IOE reflects a decrease of US\$390,000 or 6.3 per cent in real terms, and that the total budget proposal is US\$5.88 million, which represents an increase of 1.1 per cent. This reduced administrative budget will finance a larger work programme in 2011 than the 2010 work programme.
7. Various comments were made by the Committee. Specifically, members requested:
 - A table showing staff costs and non-staff costs per cluster;
 - Information as to where the costs for the new corporate cost centre were reflected in previous budgets;
 - Details of the number of projects expected to be approved;
 - Clarification on where management fees for the Spanish cofinanced fund are reflected in the budget;
 - Clarification as to whether the LGS project was planned for under a multi-year budget to spread the impact;
 - Information on country office staffing levels and country office budget;

- Clarification as to the source of funds for the US\$500 million commitments from external resources;
 - Information about the increase in General Service staff numbers with the Voluntary Separation Programme in place;
 - Information on the impact of decentralizing disbursement (Nairobi country office);
 - Information about the carry-forward of unutilized funds, which does not exist in other international financial institutions, and how this carry-forward is reflected in the 2011 budget;
 - Clarification was sought on the special budget for the Consultation on the Ninth Replenishment and the expected charge rates for the external chair;
 - The real percentage increase in the budget.
8. Management clarified that the corporate cost centre was created last year in the context of introducing results-based budgeting. The amount has increased due to the rise in depreciation charges.
 9. The proposed number of projects to be approved in 2011 is 51; the number of projects under development but not necessarily for approval in 2011 is 62.
 10. The Committee was informed that the Spanish cofinancing facility and the European Commission's food security initiative will be the major sources for the US\$500 million of commitments to be financed externally.
 11. With regard to the query on country office staffing and budgets, the Strategic Workforce Plan to be presented to the December 2010 Executive Board provides information on staff in the field. A separate paper submitted to the same Executive Board session provides an overview of country presence costs. IFAD country office costs are part of cluster 1 costs and have not been shown separately in the administrative budget. An addendum providing the estimated costs for 2011 will accompany the administrative budget proposals presented to the Executive Board in December 2010.
 12. The Committee member for Italy, as already stated in the previous meeting, reminded that Italy plans not to support this budget given the 7.5 per cent nominal increase in the administrative budget. On the budget for the Consultation on the Ninth Replenishment, Italy also expressed concern on the proposed provision of US\$250,000 for the external chair: considering that there will be maximum five meetings, this will correspond to a US\$50,000 remuneration per meeting.
 13. Management enlightened that the replenishment process is governed by the members of the Consultation itself, who will decide on whether an external session takes place. The decision to recruit an external chair will be made by the Governing Council upon the proposal of the Executive Board. The provision for the costs of the external chair is based on estimates that will be revised when the chair is appointed. Net of these expenses, the total projected cost of the Ninth Replenishment Consultation is lower than the actual recorded cost of the Eighth Replenishment Consultation.
 14. On the issue of the Nairobi pilot project, Management described the time-saving benefits that are associated with this decentralization initiative, including a reduction in the time required for processing disbursement requests of 10 days. Management informed the Committee that other loan administration models to cover the entire organization were being explored and that some elements of the Nairobi pilot would be replicated.
 15. The Committee was informed that Management would provide additional supplementary information in the form of an Executive Board addendum to clarify the various issues raised by the Committee.

16. The chairperson instructed Management to take note of the Committee's comments and suggestions and to present the budget document complete with this addendum to the December session of the Board.