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Enabling poor rural people  
to overcome poverty

## **Report of the Audit Committee on IFAD's 2012 results-based programme of work and administrative and capital budgets, and the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2012 and indicative plan for 2013-2014**

### **Note to Executive Board representatives**

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**For: Review**

## **Report of the Audit Committee on IFAD's 2012 results-based programme of work and administrative and capital budgets, and the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2012 and indicative plan for 2013-2014**

1. The Audit Committee wishes to report to the Executive Board on the discussion that took place on the item entitled above at the reconvened 121<sup>st</sup> meeting of the Committee held on 5 December 2011.
2. Management informed the Committee that the detailed budget document reflected feedback received on the high-level preview document presented to the Audit Committee and Executive Board sessions in September, and which had received universal support.
3. The Committee was informed that the 2012 Programme of Loans and Grants was targeted at US\$1.15 billion. Of this amount, US\$1.08 billion was projected for IFAD loans and Debt Sustainability Framework (DSF) grants and US\$75 million for IFAD grants.
4. The total administrative budget was set at US\$144.14 million, representing a 2.5 per cent nominal increase on the previous year. This overall nominal increase was made up of a 1.7 per cent price increase and 0.8 per cent volume increase. The Cluster 1 allocation (country programme development and implementation) was slightly below the preview – by 0.6 per cent – and the efficiency ratio was above the preview at 12.5 per cent. This was attributable to a slightly lower Programme of Loans and Grants than that cited in the preview. The staff costs increases were lower than planned, with the general aim of addressing the anomaly of General Service staff salaries and benefits in Rome being higher than local market levels and United Nations levels, and the high proportion of General Service to Professional staff. Professional staff salaries had been tentatively pegged for a 2.5 per cent increase based on estimates by the Food and Agriculture Organization of the United Nations, pending receipt of guidelines on the increase from the International Civil Service Commission (ICSC); Management anticipated that the guideline would be for a zero increase. Management noted that the freeze in General Service staff salaries and recruitment was still in effect and explained the slight increase in staff headcount of 2 per cent as being mainly in the Programme Management Department where the managed Programme of Loans and Grants had increased by 15 per cent.
5. Management proposes that: Cluster 1 (Country programme development and implementation) increase by 0.4 per cent accounting for 61.8 per cent of the total administrative budget, or US\$89.01 million; Cluster 2 (high-level policy dialogue, resource mobilization and strategic communication) increase by 0.2 per cent accounting for 7.2 per cent of the total administrative budget, or US\$10.45 million; Cluster 3 (Corporate management, reform and administration) decrease by 0.1 per cent, accounting for 22.5 per cent of the total administrative budget or US\$32.5 million; Cluster 4 (Support to member governance activities) to decrease by 0.5 per cent accounting for 7 per cent of the total administrative budget, or US\$10.08 million; the Corporate Cost centre remain at the same level as the previous year, accounting for 1.5 per cent of the total administrative budget, or US\$2.1 million.

6. The Committee was informed that the efficiency ratio is budgeted at 12.5 per cent, slightly higher than the 12 per cent presented at the preview. This is due to the slight decrease in the Programme of Loans and Grants figure used to compute the ratio.
7. The capital budget proposal is US\$3.5 million, the bulk of which is made up of IT infrastructure, comprising data warehouse, a virtualization and communication platform and workstation replacement. In addition, a small component of the budget is allocated for country presence security.
8. The Director, Independent Office of Evaluation of IFAD (IOE) informed the Committee that the current proposal incorporated comments made at the Evaluation Committee session in July and the Audit Committee and the Executive Board sessions in September 2011, in addition to a second round of comments at the Evaluation Committee session in October 2011, where broad support was expressed. The budget proposal stipulated two strategic objectives and seven divisional management results and the mode in which the budget would support these. The document reflected several rounds of discussions with Management on the proposed evaluations. IOE proposed, in 2012, to complete the ongoing corporate-level evaluation on IFAD's institutional efficiency and the efficiency of IFAD-funded operations, and to start the corporate-level evaluation on direct supervision and implementation support. The overall budget was planned to cover the proposed evaluations. The Committee was reminded that IOE had recorded a budget reduction of 6.3 per cent in real terms in 2011 and had committed to maintaining the same level in the budget for 2012 in real terms, which would mean a zero real increase on the 2011 administrative budget. The overall IOE recommended budget was set at US\$6.02 million.
9. Members requested that more of the preliminary information provided in the high-level preview document be included in the final budget submission. Clarification was requested regarding the increase in consultancy costs; whether a change was foreseen in the ratio of General Service to Professional staff; and whether the job audit would have an impact on the budget as presented. A member commented that although the budget had respected the 2.5 per cent increase ceiling, they would nonetheless have liked to have seen a lower budget. Members wished to know: whether further expenditure was expected in the budget or if this was the final submission; how Management would use savings on salary costs if the 2.5 per cent increase in professional staff salaries did not materialize and the zero per cent assumption from the ICSC was realized. Some members indicated that these savings should result in a corresponding reduction of the budget, and not in an increase of other spending. Members requested that in the interests of transparency extra information on savings and efficiency measures be presented in a separate table.. A query arose on whether IOE had considered the freeze of General Staff salaries in their budget.
10. A member stated that they would like to vote separately on the salary increase and the budget and enquired if this was possible under current IFAD rules.
11. Management clarified that the consultancy expenditure was mostly related to temporary staff hired by the Programme Management Department. The proposed budget showed an improvement in the ratio of General Service to Professional staff. The job audit exercise was intended to review skills and levels of seniority and identify possible gaps; it was therefore difficult to ascertain what impact it would have on the budget without knowing the outcome of the review. The 2.5 per cent increase in Professional staff

salaries would be confirmed at the end of January after the guidelines from the ICSC were received.

12. In response to the question on whether IOE had factored the freeze of General Service salaries into their budget, the Director IOE clarified that certain parameters of the budget were beyond their control and that they based their figures on input provided by Management (Budget Unit).
13. On the question of separate voting processes for the salary increase and the budget, the General Counsel clarified that the issue before the Board and the Governing Council was the administrative budget as a single budget for the entire organization and was not presented for voting on certain items or components. The Committee was further informed that current policy dictated that salary and benefit levels follow the methodology followed by the United Nations Common System, as applied to various duty stations, unless IFAD could not afford to implement them.
14. A member proposed the inclusion of a bullet point in the document to allow the possibility of the Board to express an opinion on salary increase separate from the administrative budget as a whole, without changing the principle of one decision on the organizational budget.
15. The Chairperson summed up the discussion and confirmed that there was broad support for the budget, despite the comment by one member regarding preference for a lower figure following the revision of staff costs projections. . The Committee took note of some members' requests for more transparency in the utilization of savings and efficiency measures. The General Counsel would revert on the possibility of changing paragraph 85 to allow for a possible separate discussion on the salary increase and the overall budget. The figures of the IOE budget would be checked regarding salaries increase.