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Report of the Audit Committee on IFAD's 2013 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2013 and indicative plan for 2014-2015, and the HIPC and PBAS progress reports

Note to Executive Board representatives

Focal points:

Technical questions:

Ruth Farrant
Director
Controller's and Financial Services Division
Tel.: +39 06 5459 2281
e-mail: r.farrant@ifad.org

Conrad Lesa
Manager
Accounting and Financial Reporting
Tel.: +39 06 5459 2181
e-mail: c.lesa@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

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For: Review

Report of the Audit Committee on IFAD's 2013 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2013 and indicative plan for 2014-2015, and the HIPC and PBAS progress reports

1. The Chairperson introduced the item on the 2013 budget document, noting that the section by the Independent Office of Evaluation of IFAD (IOE) incorporated all the comments provided by the Evaluation Committee at its seventy-third session in October 2012. It was further noted that the sections containing the progress reports of the Heavily Indebted Poor Countries Debt Initiative (HIPC) and the performance-based allocation system (PBAS) had been included in the report in the interests of streamlining IFAD reporting.
2. The Chief Financial Officer and Head, Financial Operations Department (FOD) presented the IFAD section of the document, highlighting the following points:
 - The requests for additional information as well as comments provided by the Audit Committee during the review of the high-level preview document had been incorporated into the final budget document.
 - Management was proposing a figure of US\$1.066 billion for the programme of loans and grants in 2013, a slight decrease compared to the figure of US\$1.091 billion currently forecast for 2012; a regular budget of US\$144.14 million, representing a zero nominal increase compared to the 2012 approved budget; and a capital expenditure budget of US\$3.7 million.
 - A zero nominal increase in the regular budget was achieved after absorbing additional 2013 costs and costs previously funded from ad hoc sources, amounting to a total of US\$5.4 million. The impact of absorbing these costs resulted in a reduction in the percentage of the total budget for cluster 1 from 61.8 per cent in 2012 to 59.0 per cent in 2013, partly offset by an increase in cluster 2 from 7.2 per cent to 8.7 per cent.
 - The share of the Programme Management Department (PMD) of the regular budget decreased primarily due to the transfer of functions from PMD to other departments and staff reductions identified during the strategic workforce planning exercise. The Committee was assured that the reduction in PMD resources would not adversely affect the overall delivery and quality of IFAD's programme of loans and grants in 2013.
 - The introduction of gross budgeting would increase transparency in the reporting of the incremental costs funded by complementary and supplementary fund fees. It was noted that after incorporating the additional US\$5.29 million of the incremental costs to support supplementary funds into the gross budget, the cluster 1 gross budget percentage increased to 60.5 per cent.
3. The Acting Director of IOE presented the IOE section of the 2013 budget report. The key points raised in the presentation were as follows:
 - The Evaluation Committee had reviewed the document at its session in October and expressed broad support for IOE's proposed work programme and budget for 2013.
 - It was envisioned that the corporate-level evaluation on efficiency and the findings would be presented to the Evaluation Committee and the Executive Board in April 2013.

- Subject to the approval of the Executive Board in December, IOE would undertake an evaluation of the IFAD replenishment exercises for the first time.
 - In order to make its own specific contribution to achieving IFAD9 commitments, IOE would provide support to Management in the undertaking of impact evaluations.
 - The proposed budget of some US\$6 million represented a real decrease of 1.4 per cent compared to the 2012 approved budget.
4. The Committee expressed appreciation for the presentations made. Management responded to questions raised by Committee members on a range of issues, such as the reduction in the resource allocation for PMD; salary increases; figures in the final document differing from amounts previously presented to the Audit Committee; Debt Sustainability Framework (DSF) grants; travel costs; measures for achieving savings in cluster 4; the recourse process for the job audit; IFAD's changing organizational chart; compliance with Minimum Operating Security Standards (MOSS) in IFAD's country offices and shared premises; and HIPC financing.
 5. The Committee requested that the IOE programme of work be presented in future as a separate document and not in combination with the IOE budget, given that the programme of work was not focused on budgetary resources.
 6. The United States representative advised of the United States policy of encouraging the multilateral development banks to adopt a zero nominal increase of staff salaries for both Professional and General Service staff. Management clarified that no increase was being proposed for General Service staff in 2013. The 2013 budget merely reflected the impact of lifting the freeze on General Service salary increases imposed by IFAD (the only Rome-based agency to do so) in November 2010. The freeze was lifted in November 2012, following the completion of the Rome Local Salary Survey carried out by the International Civil Service Commission (ICSC), which recommended a 9.2 per cent reduction in General Service salaries commencing in 2013. The implementation of the interim adjustment from November 2010 would ensure equitable treatment for IFAD staff by aligning their salaries with salaries at other Rome-based agencies before implementing the recommendation of the ICSC survey. The 9.2 per cent reduction would be applicable for new General Service staff hired, while salary increases for existing staff would be frozen until such time as the new lower salary scale converged with the existing salary scale.
 7. The Committee was further informed that the most up-to-date ICSC information available indicated that there would be a zero nominal change in Professional staff salaries in 2013, which would be implemented by offsetting an increase of 0.12 per cent in the salary structure with a commensurate reduction in the post adjustment. This "no-loss/no-gain" process, resulting in no increase in the salaries paid to Professional staff on account of salary structure changes, is the same as that adopted by the ICSC last year. Management confirmed that the unspent salary increases for Professional staff withheld in 2012, amounting to US\$680,000, would be carried forward and again would not be spent, subject to the ICSC final recommendation on staff salaries. The United States indicated that it would reserve its position pending the General Assembly discussion of the ICSC recommendations on salary increases for the Professional category.
 8. The Chairperson summed up the discussions on the item and stated that the Committee generally supported the budget document, which reflected a zero nominal increase in the regular budget, noting that the United States wished to reserve its position pending final information on salary increases. The Chair appreciated the assurance provided by Management that the reduction in PMD

would not result in a weakening of the department's ability to carry out its programme of work, and also noted the discussion on measures taken by IFAD with other Rome-based agencies to reduce travel costs.

9. With regard to additional information to be supplied by Management on certain items, the Chair requested that the information on DSF grants be provided in the budget presented to the Executive Board, and that Management provide clarification regarding the differences between actual amounts in the current budget document compared to the amounts included in budget documents from previous years.