

Document: EB 2013/109/R.28
Agenda: 10(b)
Date: 20 August 2013
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Establishment of the special expenditure budget for IFAD replenishment exercises

Note to Executive Board representatives

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Executive Board — 109th Session
Rome, 17-19 September 2013

For: Approval

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Recommendation for approval

The Executive Board is invited to endorse the recommendation on the establishment of the special expenditure budget for IFAD replenishment exercises and the reprogramming of the IFAD9 special expenditure budget; to consider the draft resolution attached to the document; and to submit both the recommendation and the draft resolution to the thirty-seventh session of the Governing Council in February 2014 for consideration and approval.

Establishment of the special expenditure budget for IFAD replenishment exercises

I. Unutilized special expenditure budget for the Consultation on the Ninth Replenishment of IFAD's Resources

1. During its thirty-fourth session in February 2011, the Governing Council of IFAD allocated a special expenditure of US\$2 million for the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9 Consultation).¹ The purpose of the IFAD9 Consultation, according to resolution 160/XXXIV, was to review the adequacy of the Fund's resources in relation to the undertaking of the Ninth Replenishment of IFAD's Resources (IFAD9) and to report the results of its deliberations and recommendations to the thirty-fifth session of the Governing Council. As indicated in table 1, the US\$2 million special expenditure budget was allocated based on the projection of additional costs to be incurred as the result of appointing an external chair and holding an external consultation session.

Table 1
Estimated budget for the IFAD9 Consultation
 (United States dollars)

	<i>Estimated budget of IFAD9 Consultation @ 0.722</i>
Language-related services	508 000
Staff costs	190 000
Administrative costs	310 000
External chair	250 000
External session	562 000
Contingency	200 000
Total	2 000 000

2. Actual costs for the IFAD9 Consultation amount to US\$848,833. It is recalled that, in accordance with GC resolution 166/XXXV, the midterm review of IFAD9 is to be presented at an early meeting of the Consultation on the Tenth Replenishment of IFAD's Resources (IFAD10). The estimated cost of the midterm review is US\$100,000. Thus the actual costs, together with the amount allocated for the IFAD9 midterm review, leave an unutilized balance of US\$1,051,167. As indicated in table 2, which details the expenditure of the IFAD9 Consultation special expenditure budget, the underutilization of the allocated budget was the result of the IFAD9 Consultation's decision not to hold an external session.² This decision

¹ GC 34/Resolution 161/XXXIV.

² REPL.IX/1/INF.2.

was reached in light of the goal of minimizing organizational costs and inefficiencies.

Table 2
Estimated budget for the IFAD9 Consultation
(United States dollars)

	<i>Estimated budget of IFAD9 Consultation @ 0.722</i>
Language-related services	316 730
Staff costs	88 597
Administrative costs	112 110
Consultancy costs (including external chair)	331 396
IFAD9 midterm review*	100 000*
Total	948 833

* Allocated amount.

II. Reallocation of the unutilized special expenditure budget

Procedure governing the reallocation of the unutilized Ninth Replenishment Consultation special expenditure budget

3. Noting that the *Agreement Establishing IFAD* (the "Agreement") has vested all powers of the Fund in the Governing Council, including the power to approve its budget,³ it is clear that any approved budget may solely be used "for the purpose for which the appropriations were voted," unless the Governing Council later decides otherwise.⁴ Therefore, as demonstrated by resolution 169/XXXV, the reallocation of any unused special expenditure should be approved by the Governing Council.⁵
4. It is proposed that the remaining balance of the unutilized special expenditure budget for the IFAD9 Consultation, valued at US\$1,051,167, should be utilized to fund IFAD10 and future replenishment exercises. As such, should the Governing Council approve the reprogramming of the IFAD9 special expenditure budget, a separate IFAD10 Consultation special expenditure budget will no longer be necessary.

III. Establishment of the special expenditure budget for IFAD replenishment exercises

5. Since special expenditures do not fall under any of the three budgetary subcategories defined under regulation II of the Financial Regulations, unutilized special expenditure budgets appropriated for specific components of replenishment exercises are not entitled to be carried forward⁶ or reallocated for other components without first obtaining approval by the Governing Council. To increase the effective implementation of replenishment exercises, it is recommended that a regularly replenished special expenditure budget for IFAD replenishment exercises (the "replenishment special expenditure budget") be endorsed by the Executive Board for Governing Council approval pursuant to article 4, section 3, and article 6, section 10, of the Agreement. Unlike past special expenditures approved for specific replenishment exercise components, the purpose and duration of the replenishment special expenditure budget will encompass the preparatory work, consultations and midterm reviews of all future replenishment exercises.

³ See *Agreement Establishing IFAD*, articles 6(2)(b), 6(10).

⁴ See Financial Regulations, regulation VI.

⁵ The proposal for repurposing of the balance of the special expenditure for the Voluntary Separation Programme was presented to the Governing Council for approval.

⁶ See Financial Regulations, regulation VI, paragraph 2.

6. Should the proposed approach for budget reallocation indicated in paragraph 5 of this document be approved, the unutilized special expenditure budget for the IFAD9 Consultation, in its entirety, should be reprogrammed as the initial funding for the replenishment special expenditure budget. To ensure the adequacy of this budget, it is also recommended that the power to regularly review and approve supplementary appropriations be delegated by the Governing Council to the Executive Board. Additionally, upon approval of the replenishment special expenditure budget and in light of regulation VI of the Financial Regulations of IFAD, the President shall submit, when necessary, supplementary budget estimates to the Executive Board for review and approval.
7. With respect to the monitoring of the replenishment special expenditure budget, expenditures incurred as a result of the undertaking of IFAD replenishment exercises will be reported to the Executive Board on an annual basis. The expenditures will also be reported in the annual financial statements of the Fund, which are subject to external audit.

IV. Recommendation

8. A special expenditure budget for IFAD replenishment exercises is to be established, and the IFAD9 Consultation special expenditure budget is to be reprogrammed. These measures will reduce operational inefficiencies by allowing the Fund to more effectively ensure the adequacy of its resources.⁷ Moreover, the adoption of the proposed actions will eliminate the need for allocation of a separate special expenditure budget for the IFAD10 Consultation. The Executive Board is therefore invited to: endorse the recommendation on the establishment of the special expenditure budget for IFAD replenishment exercises and the reprogramming of the IFAD9 Consultation special expenditure budget; consider the draft resolution attached to the document; and submit both the recommendation and the draft resolution to the thirty-seventh session of the Governing Council in February 2014 for consideration and approval.

⁷ See article 4, section 3, of the Agreement.

Draft resolution on the establishment of the special expenditure budget for IFAD replenishment exercises

Resolution ___/XXXVII Special expenditure budget for IFAD replenishment exercises

The Governing Council of IFAD,

Bearing in mind article 4, section 3, and article 6, section 10, of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD,

Noting that, at its 109th session, the Executive Board endorsed the need for establishment of a regularly replenished special expenditure budget for IFAD replenishment exercises,

Decides that:

1. In order to undertake the activities necessary to review the adequacy of the resources available to the Fund, as required by article 4, section 3, of the Agreement, the special expenditure budget for IFAD replenishment exercises, as defined in paragraph 5 of "Establishment of the special expenditure budget for IFAD replenishment exercises", shall hereby be authorized.
2. The unutilized special expenditure budget for the Consultation on the Ninth Replenishment, as authorized by resolution 161/XXXIV, shall be reprogrammed, in whole, as the special expenditure budget for IFAD replenishment exercises and shall be used to finance the midterm review of the Ninth Replenishment of IFAD's Resources, the preparatory work for the Tenth Replenishment of IFAD's Resources, and IFAD10 and future replenishment exercises as defined in paragraphs 2, 4 and 5 of "Establishment of the special expenditure budget for IFAD replenishment exercises".
3. The Executive Board shall hereby be authorized to review and approve future appropriations for the special expenditure budget for IFAD replenishment exercises to ensure its adequacy in financing all future activities related to the replenishment of IFAD's resources.