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to overcome poverty

## **Report of the Audit Committee on IFAD's 2014 results-based programme of work and regular and capital budgets, and the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2014 and indicative plan for 2015-2016, and the HIPC and PBAS progress reports**

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

#### Focal points:

#### Technical questions:

**Ruth Farrant**  
Director and Controller  
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 2014 results-based programme of work and regular and capital budgets, and the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2014 and indicative plan for 2015-2016, and the HIPC and PBAS progress reports**

1. Management presented the 2014 budget document, drawing the Committee's attention to the fact that all comments made by the Audit Committee and Executive Board during their respective reviews of the high-level preview document in September 2013, and the clarifications sought, had been taken into consideration in preparing the final budget proposal.
2. Management highlighted that the original intention had been to present a 2014 budget with a minimal increase. However, the budgetary implications of the action plan proposed by Management in response to the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE) and the implementation of the new Loans and Grants System (LGS) needed to be given precedence in the preparation of the 2014 budget proposal. Management also pointed out that the regular budget had undergone either minimal or no increase for the last three years; furthermore even without the recurrent costs related to the CLEE and LGS, a request for a small budgetary increase would have been necessary for 2014.
3. The Committee's attention was drawn to the new information provided in the final version of the budget document, namely: gender-based data on IFAD's loan portfolio and regular budget; details of action taken in relation to the strategic workforce plan (SWP) over the last two years and associated cost implications; information on the costs and benefits of the CLEE action plan; detailed staffing tables and financial analyses; and clarifications provided by Management arising from a specific request from the Chair of the Audit Committee.
4. The following key areas within the 2014 budget document were then highlighted:
  - (a) The planned programme of loans and grants for 2014 was proposed at US\$1.06 billion, compared to the revised lending level forecast for 2013 of US\$891 million. The lending shortfall in 2013 would be covered by higher lending in 2014 and 2015 to reach the Ninth Replenishment of IFAD's Resources (IFAD9) target of US\$3 billion.
  - (b) With regard to the regular budget, following a detailed review of each cost component, Management had revised the 2014 budget proposal downwards from the amount presented in the high-level preview paper of US\$150.39 million (or an increase of 4.3 per cent over 2013) to US\$149.64 million (or an increase of 3.8 per cent). Management noted that a zero increase in staff salaries had been assumed in the 2014 budget proposal and that all price and inflation increases were to be absorbed. Consequently, of the total 2014 increase proposed of 3.8 per cent, the LGS replacement accounted for 1.6 per cent, the CLEE action plan for 1.4 per cent, and other cost increases for 0.8 per cent.
  - (c) With regard to the capital budget, Management proposed a CLEE-related capital budget of US\$3.1 million compared to an original estimate of US\$3.6 million. In addition, a capital budget of US\$2.3 million was proposed to meet normal capital expenditures related to information and communications technology (ICT), bringing the total capital budget request for 2014 to US\$5.4 million.

- (d) In relation to the CLEE-related one-time adjustment budget, the Committee was informed that an amount of US\$2.1 million was now being proposed compared to the original estimate of US\$3 million presented in the high-level preview paper. Of this amount, US\$1.5 million was accounted for by set-up costs for IFAD country offices.
5. The Independent Office of Evaluation of IFAD (IOE) presented the final submission of its 2014 budget, incorporating the input of both the Audit Committee and the Executive Board in September 2013. In addition, IOE noted that the Evaluation Committee had reviewed the document at its session in October 2013 and had expressed support for the proposed work programme and budget.
  6. IOE informed the Audit Committee that a new selectivity framework had been created to assist in the construction of the work programme. The proposed work programme included seven country programme evaluations, eight project-level evaluations, one impact evaluation in 2014, and two evaluation syntheses; in addition, all project completion reports made available would be validated.
  7. The Committee was advised that IOE had undertaken a strategic workforce planning exercise and had concluded that there would be no change to staff numbers. However, a change in staff complement was envisaged to ensure that IOE had the correct mix of staff resources.
  8. IOE's 2014 budget was proposed at US\$5.98 million, compared to US\$6.01 million in 2013 – a reduction of 0.5 per cent against the 2013 approved budget.
  9. IOE highlighted that the cost implications of recruiting the IOE director were now being considered. As recommended by the Evaluation Committee, the proposed approach was to ensure that no change to the budget proposal of US\$5.98 million would occur; therefore options for generating savings by revising the schedule of selected evaluation activities were being examined. IOE would prepare a proposal for the consideration of the Evaluation Committee at its eighty-first session.
  10. **The Chair commended IFAD Management and IOE for their presentations, the additional clarifications provided, and the effort made to contain costs as seen in the reduction of the proposed increase in IFAD's 2014 regular budget from 4.3 per cent to 3.8 per cent. The Chair then invited comments from the other Committee members.**
  11. **Comments from members included positive feedback for the detailed analysis provided in the document; the robustness of the budget proposal; the inclusion of a paragraph setting out the staff cost assumptions; the inclusion of gender-based data in the document; and the additional information provided on the costs and benefits of the CLEE action plan.**
  12. **There was broad support from the Committee for the proposed 2014 budget. However, several members noted that the budget document, and in particular the translated versions of the document, had not been provided early enough to facilitate a meaningful review. Clarification was sought on the actions to be taken to avoid the occurrence of such a situation in the future. The Chair requested Management to ensure that the internal rule of dispatching documents to the Committee four weeks before a session be respected.**
  13. Other comments included: (i) request for next year's budget to contain a comparison of IFAD's gender-related data with those of other institutions; (ii) request for Management to seek a more balanced programme of work over the three years of a replenishment period; (iii) request for clarification of the term "operational selectivity"; (iv) acknowledgement that a budgetary increase was necessary to implement the CLEE action plan and that, as a result, the 2014 increase requested appeared reasonable; (v) request for Management to identify a means to assess the impact of the CLEE action plan; (vi) a request for the gender

analysis to be linked to targets; (vii) clarification on whether the SWP exercise would be an annual exercise; (viii) query on the distribution of new staff positions between the field and headquarters; and (ix) request for specific clarification on data in the staffing table. Finally, a specific query was raised in relation to IOE's strategic objectives.

14. Management took all comments on board and responded to the queries raised. In relation to items requiring future action, Management indicated that: measures were being examined to ensure that documents were provided to the Committee on a more timely basis; an attempt would be made to perform a comparison of gender-based data with other institutions, however it was noted that few organizations had a robust approach in this area; a thorough discussion on operational selectivity would need to take place in various forums including at IFAD governing body meetings in the near future; and that a typographical error in the staffing table would be corrected.
15. **The Chair summarized the discussions by noting the Committee's broad support for the budget proposal. Those members who had reviewed the document appreciated the details provided and the fact that all issues raised by the Committee in September 2013 had been addressed. The Chair noted the importance of assessing the impact of the CLEE action plan in light of the significant investment involved in capital, one-time and recurrent costs. The Chair made reference to the Committee's request for a comparison with other institutions with regard to gender-based data. Finally, the Chair stressed the necessity for the timely distribution of the budget document to the Committee – according to the existing rules - as this was an essential precondition to allow the Committee to carry out its mandate.**