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Investing in rural people

## Report of the Audit Committee on IFAD's 2016 results-based programme of work and regular and capital budgets, and the IOE results-based work programme and budget for 2016 and indicative plan for 2017-2018

### 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

Allegra Saitto  
Manager, Accounting and Financial Reporting  
Tel.: +39 06 5459 2405  
e-mail: a.saitto@ifad.org

Saheed Adegbite  
Director  
Budget and Organizational Development Office  
Tel.: +39 06 5459 2957  
e-mail: s.adegbite@ifad.org

Edward Gallagher  
Senior Budget Specialist  
Tel.: +39 06 5459 2484  
e-mail: ed.gallagher@ifad.org

Oscar Garcia  
Director  
Independent Office of Evaluation of IFAD  
Tel.: +39 06 5459 2274  
e-mail: o.garcia@ifad.org

#### Dispatch of documentation:

Alessandra Zusi Bergés  
Officer-in-Charge  
Governing Bodies Office  
Tel.: +39 06 5459 2092  
e-mail: gb\_office@ifad.org

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For: Review

## Report of the Audit Committee on IFAD's 2016 results-based programme of work and regular and capital budgets, and the IOE results-based work programme and budget for 2016 and indicative plan for 2017-2018

1. The Director, Budget and Organizational Development Office (BOD), presented the document, highlighting that Management had adopted the new agreed methodology for estimating exchange rates and inflation. It was noted that there were significant changes in the exchange rate between the United States dollar and euro, which had moved from EUR 0.735:US\$1 in 2015 to EUR 0.877:US\$1 in 2016. This had made a significant impact on the budget proposal; accordingly, the 2016 budget was proposed at US\$146.7 million compared to the 2015 approved budget of US\$151.59 million.
2. Management provided an update on the expected volume of lending under IFAD10, revising upward the figures included in the document: the 2016 IFAD programme of loans and grants for the three year period 2016-2018 is now projected at US\$3.2 billion, with the inclusion of all funds under IFAD management. The increase of 13.5 full-time equivalent positions was mainly related to country offices and the absorption of core positions previously funded from supplementary fund fees. The overall budget had decreased by 3.2 per cent, while the real budget increase had been reduced from 2.1 per cent in the high-level preview to 1.7 per cent in the final budget proposal. In this respect more granular information was provided on the price indexes used to discount the budget figures in line with the new agreed methodology for estimating exchange rates and inflation. The proposed capital budget for 2016 was US\$2.4 million.
3. The Director, Independent Office of Evaluation of IFAD (IOE), presented the IOE results-based work programme and budget for 2016. This consisted of (i) a formative corporate-level evaluation on IFAD's decentralization experience, (ii) five country strategy and programme evaluations (one in each region), (iii) two evaluation synthesis reports on scaling-up and policy dialogue, respectively and one joint evaluation synthesis report on gender equality, (iv) one impact evaluation and 10 project performance evaluations and (v) validations of available project completion reports. The IOE budget proposed for 2016 was US\$5.7 million, as compared to US\$6.1 million in 2015.
4. Several Committee members requested for clarification regarding decentralization costs, some of them also in relation to Management's original commitment to achieve savings through decentralization, the borrowing levels envisaged for the Tenth Replenishment of IFAD's Resources (IFAD10) period, and the strengthening of knowledge management and South-South and Triangular Cooperation. One Committee member commended the gender sensitivity of IFAD's loans and budget and another enquired about the within-grade steps applied for standard staff cost calculations.
5. Management also informed the Committee that an additional efficiency ratio, showing the value of the portfolio under implementation per dollar of budget, had been introduced to complement information provided by the other efficiency ratios. It was noted that in the last three years, the total IFAD portfolio had increased by 16 per cent, while in the same period administrative costs had increased by only 3 per cent. In relation to decentralization, Management informed members that five additional offices would be opened in 2016, bringing the number of country offices to 45, and about 69 national officers would be placed in country offices. It was also noted that the Fund was moving towards a hub concept and that, to contain costs, IFAD country offices were hosted by other United Nations agencies,

which provided IFAD with procurement, administrative and IT support. In relation to gender sensitivity, Management noted that it intended to include grants in future analyses. Some members, while appreciative of the introduction of a third efficiency ratio, stressed that the latter should complement, and not substitute, the other two traditional indicators. One member inquired about the within-grade-step increment (WIGSI), in particular whether its computation considers the offsetting impact of those savings that occur in any organisation when a departed employee is replaced by a new joiner at a lower salary level. The use of within-grade steps in calculating standard staff costs was explained to Committee members.

6. Management clarified that the reduction of the budget for the Strategy and Knowledge Department was a result of the move of the Quality Assurance unit to the Corporate Services and Support Group (CSSG), with a consequent increase in the CSSG budget. It was clarified that the level of salaries had not increased and that, for the IFAD10 period, the programme of loans and grants was forecasted to grow to US\$3.2 billion.
7. The 2016 results-based programme of work and regular and capital budgets, along with the IOE results-based work programme and budget for 2016 and indicative plan for 2017-2018, were deemed reviewed and would be submitted for the approval of the Executive Board at its 116<sup>th</sup> session in December 2015.