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Report of the Audit Committee on IFAD's 2017 results-based programme of work and regular and capital budgets, and the IOE results-based work programme and budget for 2017 and indicative plan for 2018-2019

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For: Review

Report of the Audit Committee on IFAD's 2017 results-based programme of work and regular and capital budgets, and the IOE results-based work programme and budget for 2017 and indicative plan for 2018-2019

1. The Director, Budget and Organizational Development Office, presented the document, highlighting that the 2017 budget was based on a projected programme of loans and grants (PoLG) of US\$1.50 billion. It was noted that Management had set this target to allow IFAD room to undertake projects beyond the current target of the Tenth Replenishment of IFAD's Resources (IFAD10) of US\$3.2 billion, if feasible. Alternative financing sources had been identified and would continue to be sought to sustain the necessary disbursements for the US\$3.2 billion, or even higher, target.
2. In relation to the final 2017 regular budget proposal of US\$149.42 million, Management drew the Committee's attention to the following key points: the final 2017 proposal was lower than the amount of US\$150.78 million proposed in the high-level preview; the 2017 budget represented a 1.8 per cent nominal increase (composed of a 1.5 per cent real increase and 0.3 per cent price increase) over the 2016 approved budget; an exchange rate of EUR 0.897 to US\$1 was used in preparing the 2017 proposal, compared to the EUR 0.877 to US\$1 rate used in 2016; the provision of US\$679,000 for salary increases in the Professional staff category had been removed from the budget proposal without any reallocation; and, of the net increase of 8.4 full-time equivalent staff positions, 5.5 related to additional positions in country offices.
3. The proposed capital budget for 2017 was US\$2.4 million. It was noted that the proposed special expenditure budget for the Consultation on the Eleventh Replenishment of IFAD's Resources (IFAD11) had been reduced from US\$1.14 million to US\$1.04 million, following feedback from the Audit Committee.
4. The Lead Evaluation Officer and Officer-in-Charge, Independent Office of Evaluation of IFAD (IOE), presented the IOE results-based work programme and budget for 2017. This consisted of: (i) the findings of the corporate-level evaluation on IFAD's financial architecture in 2017 which would inform the IFAD11 Consultation; (ii) five country strategy and programme evaluations (one in each region); (iii) two evaluation synthesis reports – one on scaling-up and one on policy dialogue – and a joint evaluation synthesis report on gender equality; (iv) an impact evaluation and 10 project performance evaluations; and (v) validations of available project completion reports. The IOE budget proposed for 2017 was US\$5.73 million.
5. During its deliberations, the Committee commended Management for having incorporated the feedback provided on the high-level preview document in September into the final document, particularly the enhanced focus on budget discipline. Several Committee members requested: clarification on the sustainability of the proposed level of PoLG and the possibility of additional costs associated with administering additional borrowing; and details on efficiency ratios, the foreign exchange methodology, the use of consultancy services, decentralization costs, cost drivers, staff level trends in ICOs versus headquarters, and carry-forward policies.
6. Management responded to all queries and provided clarifications to the satisfaction of the Committee. In particular, Management highlighted that the PoLG level was based on a strong pipeline, and that the early reallocation of resources under the performance-based allocation system and an increased average size of operation compared to historical norms were key elements in fully delivering the planned

PoLG in an efficient and effective manner. It was noted that the cost drivers for 2017 were similar to those of the prior year because 2017 was the second year of the IFAD10 medium-term plan (MTP), and therefore a consistent trend within the MTP period would be expected for key emerging priorities such as decentralization and achievement of the more challenging results measurement framework targets.

7. In conclusion, after deliberating over the document and listening to Management's clarifications, the Committee strongly endorsed the 2017 budget proposal. The 2017 results-based programme of work and regular and capital budgets, along with the IOE results-based work programme and budget for 2017 and indicative plan for 2018-2019 were deemed reviewed and it was agreed that the document should be submitted for the approval of the Executive Board at its 119th session, in December 2016.