

Document: EB 2017/122/R.3
Agenda: 3
Date: 7 December 2017
Distribution: Public
Original: English

E



Investing in rural people

Report of the Audit Committee on IFAD's
2018 results-based programme of work and
regular and capital budgets, and the IOE
results-based work programme and budget
for 2018 and indicative plan for 2019-2020

Note to Executive Board representatives

Focal points:

Technical questions:

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

Dispatch of documentation:

William Skinner
Chief
Governing Bodies
Tel.: +39 06 5459 2974
e-mail: gb@ifad.org

Executive Board — 122nd Session
Rome, 11-12 December 2017

For: Review

Report of the Audit Committee on IFAD's 2018 results-based programme of work and regular and capital budgets, and the IOE results-based work programme and budget for 2018 and indicative plan for 2019-2020

1. Management introduced the agenda item highlighting that the 2018 budget was pivotal in the context of proposed changes required to position IFAD as an internationally recognized top performer in all aspects of its operations. The budget aimed to lay the groundwork for increasing IFAD's capacity and efficiency. In the medium term, it was expected to result in lower administrative costs relative to total programme delivery. The proposal included an increased decentralization programme accompanied by the appropriate support and controls, a shorter delivery cycle, faster disbursements, and delivery of a larger and balanced programme of loans and grants (PoLG), with the US\$3.2 billion target of the Tenth Replenishment of IFAD's Resources (IFAD10). For 2018, the PoLG was planned at US\$875 million, allowing room to build up a significantly larger pipeline for 2019, the first year of IFAD11.
2. In relation to the final proposed net regular budget of US\$155.54 million for 2018, Management drew the Committee's attention to the following points: the final proposal was significantly reduced in comparison to the amount proposed in the high-level preview; the proposal represented a 4.1 per cent nominal increase (composed of a 3 per cent real increase and 1.1 per cent price increase) over the 2017 approved budget; and the 2017 exchange rate of EUR 0.897 to US\$1 was used in preparing the 2018 proposal.
3. The proposed capital budget for 2018 was US\$1.95 million. It was noted that also this proposal had been reduced with respect to the initial proposal of US\$2.4 million.
4. Following feedback received at the 145th meeting of the Audit Committee, the combined one-time and capital budget for the Operational Excellence for Results (OpEx) exercise had been reviewed and substantially reduced to US\$9.65 million, to be used over the period 2018 to 2019.
5. The Director, Independent Office of Evaluation of IFAD (IOE), presented the IOE results-based work programme and budget, focusing on the activities planned for 2018: (i) a corporate-level evaluation on IFAD's contribution to agriculture-related pro-poor value chain development; (ii) five country strategy and programme evaluations (one in each region); (iii) two evaluation synthesis reports; (iv) the continuation of process streamlining and enhancement of its evaluation performance; and (v) an external peer review of IOE. The IOE budget proposed for 2018 was US\$5.91 million.
6. During its deliberations on the proposed programme of work and budget, the Committee commended Management for having incorporated the feedback provided on the high-level preview document in September. Some concerns were raised about achieving the appropriate balance between decentralizing staff to the field and maintaining a strong centre at headquarters, and emphasis was put on the need to ensure that the decentralization process is accompanied by appropriate monitoring in all its dimensions. Some members highlighted the need for proper staffing levels to match upcoming financial and other commitments. The one-time increase in the budget should be considered as an "investment" for which returns should be adequately measured and reported in the future. It was also stressed that the one-time increase in administrative costs should not create a higher baseline for future budgets. It was noted that the proposed budget increase was high compared to other institutions.

7. Most members underlined the need for regular updates on progress towards the Results Management Framework (RMF) targets, efficiency gains and implementation of the OpEx exercise and the benefits attained.
8. Management provided clarification on the envisaged efficiencies and on OpEx implementation phases and explained that key performance indicators (KPIs) would be established to capture the core elements. In addition, Management reassured the Committee as to the one-time nature of the OpEx budget, which would not be integrated into future budget baselines. It was clarified that future budgets would not normally go beyond predicted increases resulting from prior commitments with broadly similar levels of replenishment and programme delivery. Management also reassured members on how the right balance would be achieved between headquarters and IFAD Country Offices, the foreign exchange rates used and the new budget format based on results pillars.
9. Following the discussions, the 2018 results-based programme of work and regular and capital budgets, along with the IOE results-based work programme and budget for 2018 and indicative plan for 2019-2020 were deemed reviewed. It was agreed that the document would be submitted for the approval of the Executive Board at its 122nd session in December 2017.