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Addendum to IFAD's 2020 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2020 and indicative plan for 2021-2022, and the HIPC and PBAS progress reports

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The Targeted Capacity Investment 2020-2021

Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the IFAD's 2020 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2020 and indicative plan for 2021-2022, and the HIPC and PBAS progress reports (EB 2019/128/R.3). For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

Page 43, paragraph 190

The sentence should read:

"190. In accordance with article 6, section 10, of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD, it is recommended that the Governing Council approve:

- The administrative budget comprised of, first, the regular budget of IFAD for 2020 in the amount of US\$157.9 million; second, the capital budget of IFAD for 2020 in the amount of US\$4.445 million; third, the budget of the Independent Office of Evaluation of IFAD for 2020 in the amount of US\$6.055 million; and ~~an expenditure level for 2020 up to US\$8.5 million from the overall~~ **the targeted capacity investment for the period 2020-2021 in the amount of up to US\$16.5 million,**
- **No funds shall be drawn down from targeted capacity investment until the approval in April 2020 of the 2-year implementation plan;**
- That unobligated appropriations at the close of the financial year 2019 may be carried forward into the 2020 financial year up to an amount not exceeding 5 per cent of the corresponding appropriations.."

Draft resolution .../XXXXX

Administrative budget comprising the regular budget, capital budget and an Independent Office of Evaluation of IFAD budget for 2020, and a targeted capacity investment of IFAD for 2020.

The Governing Council of IFAD,

Bearing in mind article 6.10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD;

Noting that, at its 128th session, the Executive Board reviewed and agreed upon a programme of work of IFAD for 2020 at a level of SDR 760 million (US\$1 062 million), which comprises a lending programme of SDR 719 million (US\$1 004 million) and a gross grant programme of US\$58 million;

Further noting that, at its 128th session, the Executive Board reviewed and approved the appropriation for the replenishment special expenditure budget for the IFAD12 replenishment exercise in the amount of US\$1.1 million;

Having considered the review of the 128th session of the Executive Board concerning the proposed regular budget, capital budget and the Independent Office of Evaluation of IFAD budget for 2020, and a Targeted Capacity Investment of IFAD for period 2020-2021;

Aware that, in 2004, Governing Council resolution 133/XXVII authorized the amendment of regulation VI, paragraph 2 of the Financial Regulations of IFAD, to allow unobligated appropriations at the close of the financial year to be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year;

Conscious that the aforementioned 3 per cent carry-forward currently applies to the administrative budget, and noting the need for a 5 per cent cap for carrying forward unspent balances arising from savings achieved in 2019 into the 2020 financial year to support delivery of certain corporate priorities;

Approves the administrative budget, comprising: first, the regular budget of IFAD for 2020 in the amount of US\$157.9 million; second, the capital budget of IFAD for 2020 in the amount of US\$4.445 million; third, the budget of the Independent Office of Evaluation of IFAD for 2020 in the amount of US\$6.055 million, and ~~an expenditure level for 2020 up to US\$8.5 million from the overall~~ the targeted capacity investment for the period 2020-2021 in the amount **of up to US\$16.5 million for which the drawing down of funds will be subject to executive Board approval of a 2-year implementation plan**, as set forth in document GC 43/L.X, determined on the basis of a rate of exchange of EUR 0.885: US\$1;

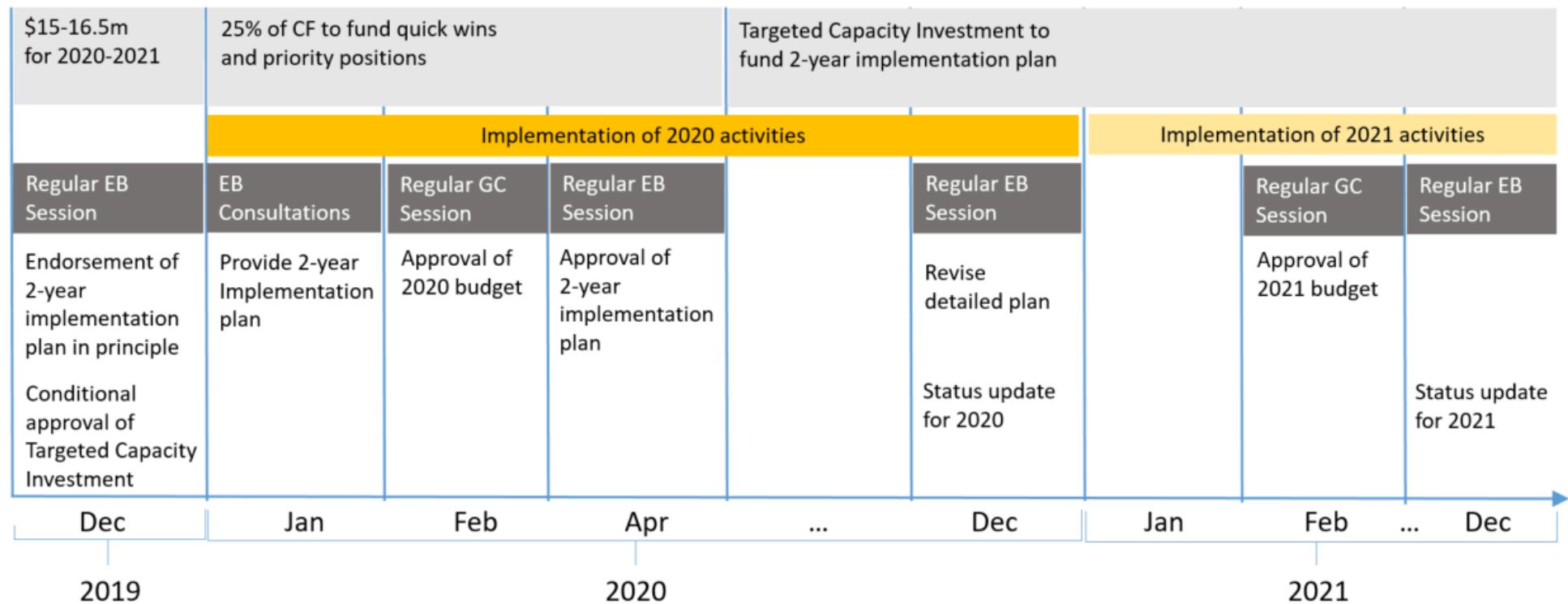
Determines that, in the event the average value of the United States dollar in 2020 should change against the euro rate of exchange used to calculate the budget, the total United States dollar equivalent of the euro expenditures in the budget shall be adjusted in the proportion that the actual exchange rate in 2020 bears to the budget exchange rate; and

Further approves that unobligated appropriations at the close of the financial year 2019 may be carried forward into the 2020 financial year up to an amount not exceeding 5 per cent of the corresponding appropriations.

I. Overview

1. As indicated in chapter VII of the 2020 budget proposal, IFAD has undergone substantive analysis in 2019 (HR Study, Business Process Review, ERM Framework Assessment) to build a solid foundation before embarking on its ambitious path. The rationale for this was to become fit for purpose for future challenges, in light of the enormous efforts needed to deliver on set replenishment commitments and to increase the impact in helping to meet the Sustainable Development Goals.
2. IFAD Member States communicated during the 155th Audit Committee meeting the need for more detail in a 2-year implementation plan as a prerequisite for the approval of the Targeted Capacity Investment by the Executive Board during its 128th session in December 2019.
3. IFAD worked rigourously to meet this need irrespective of the challenging timeline of events. Although the official draft of the 2-year plan will only be provided at the end of January 2020, this addendum outlines the intended activities to facilitate Board approval and serve Member States as an indicative roadmap for the 2 years ahead.
4. After a thorough analysis of the key areas that form the Targeted Capacity Investment package, IFAD estimates a required volume of US\$15-16.5 million to implement the action plan. To demonstrate its commitment for dedicated targeting of the actions and full transparency, IFAD is asking for endorsement of the principle of embarking on a 2-year implementation plan, funded by the Targeted Capacity Investment. Based on this understanding, IFAD only requests the Executive Board to conditionally approve the Targeted Capacity Investment budget subject to (i) final approval in April 2020 of the 2-year implementation plan (ii) understanding that no commitment of funds or expenditure will be made until approval of the 2-year plan and (iii) carry forward and other eligible existing funding sources being used in the interim for urgent and eligible quick win activities to maintain momentum.
5. Member States will have the opportunity to review the 2-year implementation plan during informal Executive Board consultations in January 2020 prior to the formal approval of the 2020 budget including the Targeted Capacity Investment at the regular Governing Council session in February of the same year. At its regular session in April 2020, the Executive Board will be requested to approve the 2-year implementation plan so that commitment of funding and expenditure from the Targeted Capacity Investment can commence immediately to implement the plan.
6. IFAD is actively seeking how it might capitalize on “quick wins” over the first 6 months from the results of the HR Study & Business Process Review Analysis. Implementation of selected activities, that are eligible for funding from up to 25 per cent of the 2019 Carry Forward Budget, will be initiated already in January 2020 to respect the aggressive timeline.
7. IFAD will provide a comprehensive status update during the Executive Board session in December 2020 as well as a revision, if applicable, of 2021 activities. There will be a second update on the implementation status at the formal Executive Board session in December 2021.

High-level overview of 2-year time frame for Targeted Capacity Investment



II. Indicative action plan

8. Based on the findings of the HR study and the Business Process Review, IFAD identified a number of quick win opportunities that are proposed for immediate implementation as of January 2020. Given the conditionality to only draw funds from the Targeted Capacity Investment once the detailed action plan is approved, IFAD will fund those from up to 25 per cent of the Carry Forward budget in order to use the existing momentum on its transformative journey.
9. The identified quick wins are primarily in the areas of performance and consequence management together with those optimizations of business processes that don't require investments in IT. Funded by the Carry Forward funds would further also be the recruitment of already identified priority positions, already started activities in the creation of the Enterprise Risk Management Framework as well as the initiation of a strong change management to accompany all activities throughout the 2 years and to ensure sufficient buy-in of staff and a smooth transition.
10. One key outcome of the HR study was the need for more capacity in critical areas. IFAD recognizes the fact that additional staff imply an ongoing cost impact. However, the short-term increase in staff costs is expected to be gradually absorbed in the regular budget after implementation due to increased efficiency and the offsetting effect of enhanced performance and consequence management. This will assist IFAD to maintain a relative flat regular budget with capability for increased programme delivery. IFAD is making a concerted effort to address the capacity gap identified in the HR study within existing regular budget resources to reduce the impact of Targeted Capacity Investment level required. The details of this will be outlined in the 2-year implementation plan.
11. A more stringent performance and consequence management will support the right-sizing of IFAD. It goes in tandem with the key area of Strategic Workforce Planning due to the various inherent interlinkages. The goal of the Targeted Capacity Investment is to form a workforce that is able to cope with the challenges ahead. The proposed measures would allow IFAD to achieve this goal through up-skilling of staff, attraction of key specialists and addressing underperformance. In this context HR Technology is seen as an enabler to facilitate high-quality performance monitoring and consequence management.
12. Due to the high complexity of the technical aspects of the action plan, the related activities in the areas of HR technology and automation are expected to commence near the end of 2020 or in 2021 after a thorough technical analysis of the business requirement and the available IT solutions has been conducted.
13. The enhanced ERM Framework will enable meaningful risk oversight by the Audit Committee and Executive Board and allow Management to effectively manage the associated risks of IFAD's evolving business model. It will help identify risk interdependencies and link strategy with IFAD's risk profile and risk capacity, change the risk culture and effectively enable informed-risk taking while communicating risk-taking boundaries across the organization.

14. Business process related quick wins have been identified in:

- (i) **Travel** – reduction of error rates on expense reports, simplification of reconciliation of flight ticket costs and reduction of last-minute travel requests.
- (ii) **Recruitment** – enhancement of candidate pre-screening, enhancement of applicant awareness of recruitment process, improvement of Personal History Form, reduction of the number of approval steps, faster processing of post-panel candidate reports and enhancement of salary information on vacancy adverts.
- (iii) **Procurement** – lessons learned review for selected procurement campaigns, capacity-building for the Contracts Review Committee and creation of a continuous improvement portfolio.
- (iv) **Consultancy** – change to 240/960 days rule, improvement of consultancy tracking and the creation of a RACI matrix.
- (v) **Loan Disbursements** – optimization of risk controls, enhancement of IFAD Client Portal and shift from paper-based to electronic Withdrawal Applications, removal of duplicates in records management system and the design and implementation of additional KPIs for performance monitoring.
- (vi) **Document Processing** – voice-of-the-customer research to identify Executive Board needs, amending of guidelines, publication of easy-to-understand clarifications for originators, improvement of document templates, creation and implementation of document tracking KPIs and application of cost recovery for late document submissions.
- (vii) **Supplementary Funds** – alignment of the supplementary funds strategy with core funding.

Indicative action plan

