

Document:	EB 2020/130/R.3	
Agenda:	4(i)	
Date:	18 August 2020	E
Distribution:	Public	
Original:	English	



Investing in rural people

High-level Preview of IFAD's 2021 Results-based Programme of Work and Regular and Capital Budgets, and Preview of the Independent Office of Evaluation of IFAD's Results-based Work Programme and Budget for 2021, and Indicative Plan for 2022-2023

Note to Executive Board representatives

Focal points:

Technical questions:

Saheed Adegbite
Director
Office of Strategic Budgeting
Tel.: +39-06 5459 2957
e-mail: s.adegbite@ifad.org

Christian Hackel
Senior Budget Specialist
Tel.: +39-06 5459 2985
e-mail: c.hackel@ifad.org

Fabrizio Felloni
Interim Officer-in-Charge
Independent Office of Evaluation of IFAD
Tel.: +39 06 5459 2361
e-mail: f.felloni@ifad.org

Dispatch of documentation:

Deirdre Mc Grenra
Chief
Institutional Governance and
Member Relations
Tel.: +39 06 5459 2374
e-mail: gb@ifad.org

Executive Board — 130th Session
Rome, 8-11 September 2020

For: Review

Contents

Abbreviations and acronyms	ii
Executive summary	iii
I. Context	1
II. Current perspective	3
A. Impact of the Covid-19 crisis on IFAD's operations and IFAD's response	3
B. Update on 2020 programme of loans and grants	3
C. 2019 and 2020 net regular budget usage	4
D. Carry-forward allocation	6
III. Gender sensitivity of IFAD operations and budget	7
IV. IFAD's programme of work for 2021	7
V. 2021 net regular budget	8
A. Strategic prioritization	8
B. Cost drivers	10
C. 2021 net regular budget proposal	12
D. 2021 gross budget proposal	14
E. Capital budget for 2021	14

Abbreviations and acronyms

ARRI	Annual Report on Results and Impact of IFAD's Operations
ASAP+	Adaptation for Smallholder Agriculture Programme+
DoA	delegation of authority
ERM	enterprise risk management
ICO	IFAD Country Office
IFAD11	Eleventh Replenishment of IFAD's Resources
PPTP	People, Processes and Technology Plan
PoLG	programme of loans and grants
RPSF	Rural Poor Stimulus Facility

Executive summary

1. With its Strategic Framework 2016-2025, IFAD is committed to pursuing three interlinked objectives: (i) increase poor rural people's productive capacities; (ii) increase poor rural people's benefits from market participation; and (iii) strengthen the environmental sustainability and climate resilience of poor rural people's economic activities. With only nine years left to achieve the Sustainable Development Goals and progress to end extreme poverty and achieve food security now stalled, IFAD will need to redouble its efforts if it is to play a significant role in meeting these global development priorities – especially now that progress towards ending hunger and extreme poverty is being threatened by COVID-19. The urgency of institutions like IFAD redoubling their efforts and accelerating their impact is underscored by the annual State of Food Security and Nutrition in the World 2020, which shows that the decades-long global decline in hunger has, regrettably, ended. IFAD must be organized and resourced appropriately to continue recovery when the COVID-19 crisis ends, rebuilding to increase resilience and to protect existing development progress.
2. Given IFAD's overarching goal of doubling its impact by 2030, transformational approaches are needed both internally and externally in the way IFAD engages with stakeholders. IFAD thus needs to aspire to three major changes: (i) country programmes should be transformational in their ambition and at the centre of IFAD's focus; (ii) this must be supported by transformational changes in the institution; (i) and (ii) this further requires an accompanying transformational financial framework. While current challenges are considerable, IFAD is well positioned to deliver impact in support of COVID-19 response and recovery, as well to build greater resilience to crises, especially for the populations most at risk and for countries most in need.
3. Based on the long-term strategic trajectory to double impact, Senior Management has identified three corporate priorities for 2021: (i) strengthening the agility, capacity and adaptability of IFAD's workforce and field presence, as well as its proximity to beneficiaries; (ii) diversifying and expanding IFAD's resource base; and (iii) ensuring fiscal responsibility through greater financial sustainability and enhanced enterprise risk management.
4. The year 2021 is a time to continue working on sweeping reforms and improved budget management practices. The latter are part of a strategic consolidation aimed at obtaining greater implementation flexibility and a reduced burden of administrative costs, without compromising on the due diligence required in an environment of budgetary austerity.
5. Moreover, 2021 is expected to be a year of further workforce adjustment as a result of a reassignment exercise and a strategic workforce plan to determine staffing complements and departmental structures based on the results of a 2019 McKinsey human resources study.
6. During the Eleventh Replenishment of IFAD's Resources (IFAD11), the Fund initiated a transformational financial framework reform and began to implement a series of activities under the financial road map presented in February 2020. The Debt Sustainability Framework reform, the Capital Adequacy Policy, the Asset and Liability Management Framework, and the new approach to IFAD's liquidity management are all new tools serving to preserve IFAD's commitment capacity and financial sustainability. IFAD12 will represent a crucial crossroads where IFAD will have to maintain the financial discipline vital for delivering on its ambition to double its impact by 2030. The transformation of IFAD's financial architecture will be further consolidated by three key enhancements: the completion of IFAD's credit rating process, the implementation of the Integrated Borrowing Framework and the adoption of key principles to support IFAD's financial sustainability as part

of the revision of existing procedures and definitions for determining the resources available for commitment.

7. Notwithstanding significant progress in many areas, IFAD still faces multiple challenges that must be addressed urgently. They include finalizing delivery of IFAD11's programme of loans and grants (PoLG) during and after the COVID-19 pandemic and elevating the Fund's mainstreaming agenda. IFAD's four mainstreaming themes – youth, gender, nutrition, and environment and climate – continue to be central elements of rural transformation. As part of preparations for IFAD12, in 2021 IFAD will enhance its approach to biodiversity, expand engagement with indigenous peoples and operationalize the inclusion of persons with disabilities. It will also bring increased focus on tailoring its offer in countries where fragile institutions and economies often result in unequal societies, with the most vulnerable groups, especially youth and women, paying the highest price. IFAD will also leverage existing and new instruments and initiatives – including technology and digitalization – for transformative engagement in these countries.
8. Over the years, IFAD has increasingly adopted a country-level programming approach to ensure that its support has a deep and lasting impact. Building on the IFAD11 business model, IFAD12 will seek to further strengthen that approach by leveraging its programme of work in support of transformational change. This will involve not only using new instruments and means of engagement, but also putting more emphasis on supporting governments to achieve transformation through their own policy and programming choices. Additionally, IFAD will look to build on the country programme approach outlined in the transition framework developed in IFAD11, but work to introduce new instruments, including the Private Sector Financing Programme and the Adaptation for Smallholder Agriculture Programme + (ASAP+). All interventions will place resilience at their core to ensure sustainability and impact, even in the face of crises like COVID-19. In addition to finalizing IFAD11, 2021 will be key year in preparing for IFAD12, particularly as regards the design of new projects. This will include laying greater emphasis on ways of scaling up project results to achieve greater sustainability, boosting the quality assurance process and setting up exit strategies during design.
9. At the time of the preparation of this preview, the projected PoLG for 2021 was US\$0.68 billion, comprising 14 new projects and additional financing for three ongoing projects. IFAD expects to attain the PoLG target of at least US\$3.5 billion for the IFAD11 period (2019-2021).
10. The primary cost drivers as of this writing are as follows: (i) adjustments to staffing complements in IFAD Country Offices for the next stage of optimizing the capacity, capability and complementarity of IFAD's field presence; (ii) staff costs arising from consolidation of reforms; (iii) depreciation and other recurrent expenses related to capital budgets; (iv) non-staff costs from corporate and operational adjustments in the context of a return to normal after the COVID-19 crisis; (v) adjustments to ensure regularization of core recurrent costs related to the People, Processes and Technology Plan (PPTP); (vi) other potential real increases; and (vii) price increases.
11. IFAD's overall strategy for the 2021 budget remains maintaining zero real growth for the third consecutive year. Even within this challenging objective, coupled with IFAD's unfettered ambition for higher delivery with no loss in quality, the focus on efficiency in an era of budgetary austerity remains unchanged. This means strategically repurposing funds based on results achieved and carrying out a rigorous analysis of expected impact. Concerted efforts are being made to deprioritize, defer and delay certain activities in order to enable IFAD to deliver more while still managing to achieve a zero-real-growth budget.
12. At current expenditure levels, IFAD is projecting lower budget utilization for 2020, in the vicinity of 90 per cent. This reduction, partially driven by the COVID-19

crisis, is the net effect of reduced expenditure in areas like travel, offset by accelerated expenditure in other categories such as facilities management and technology to create a modern and enabled working environment following COVID-19. As it is anticipated that there will be a need for some slight rebalancing of the distribution of activities across 2020 and 2021, IFAD expects to propose an increase of the carry-forward in the final budget document. Some of the objectives of the proposal are listed below for reference:

- (i) Allowing for the successful completion of IFAD11 by responding to programme delivery threats, especially those arising from the COVID-19 situation;
 - (ii) Completion of organizational reform, including implementation of outcomes of the McKinsey study; identifying potential trade-offs and savings from planned separations, and supplementing the outcomes of the PPTP due to increased financing needs, mainly driven by delays caused by COVID-19;
 - (iii) One-time activities required to complete the credit rating process;
 - (iv) Honouring commitments made in the second half of 2020, when increased activity is expected following the easing of COVID-19 restrictions; and
 - (v) Improved mainstreaming of the core themes across IFAD Operations.
13. Using the EUR:US\$ exchange rate of 0.885:1, the high-level net regular budget for 2021 is proposed at US\$159.41 million, representing a nominal increase of 0.96 per cent over 2020, mainly due to price-related adjustments applicable to both staff and non-staff budget components, offset by a reduction in travel costs.
 14. In regards to the gross budget for 2021, the proposed amount of US\$164.11 million includes US\$4.7 million to cover the cost of managing operations funded by supplementary funds, which are external but complementary to IFAD's PoLG. As the number of supplementary funds under IFAD management could grow, the final budget document may indicate a slightly higher gross budget. This amount can be fully recovered from the annual allocable portion of the fee income generated by supplementary funds management.
 15. The COVID-19 crisis has shown the importance of state-of-the-art ICT systems and infrastructure for business continuity. Increasing demand for digitalization is therefore expected, which would require the return to historical capital budget levels, estimated at US\$6.74 million. This would enable IFAD to continue its digital transformation and its shift to cloud-based solutions. As indicated by IFAD's Executive Board, part of the 2021 regular capital budget is appropriated to fund some activities from the technology work stream in the PPTP.

Part one – High-level Preview of IFAD’s 2021 Results-based Programme of Work and Regular and Capital Budgets

I. Context

1. The 2020 report on the State of Food Security and Nutrition in the World notes that the effects of the COVID-19 pandemic will only become apparent in the months and years to come. The last editions of this report have presented evidence that the world’s decades-long decline in hunger has, regrettably, ended. Furthermore, hunger and food insecurity are not the only present challenges – overweight and obesity, and other forms of malnutrition, are also rife. In this landscape, continued efforts from development institutions are being called for by Member States, beneficiary countries and other stakeholders. IFAD stands out for its focus and experience in investing in inclusive and sustainable rural transformation. It is therefore strategically positioned to play a key role in actively responding to these needs.
2. IFAD’s ambition for the nine years of action remaining to achieve the Sustainable Development Goals, particularly in light of the challenges now posed by the novel COVID-19 pandemic, will be driven by its operational offer for 2022-2024, the period of the Twelfth Replenishment of IFAD’s Resources (IFAD12). The year 2021 will be a time to leverage IFAD’s increased proximity to clients to respond to their needs with greater agility and flexibility, ensuring responsiveness to shocks and risks as they arise, and enhancing the resilience of the rural poor to those shocks.
3. In 2020 IFAD started to implement an enhanced business model and a revamped financial architecture. Strategic workforce planning, staff reassignment and actions taken in response to the 2019 McKinsey study are increasingly important in helping IFAD deliver on its objectives. Continued progress on decentralizing the business model and current resources, benchmarking against other international financial institutions and United Nations organizations and "rightsizing" to ensure adequate human capital to meet demand were of paramount importance in 2020 and will also be in 2021.
4. Next year will be the last year of IFAD11 but will also see an increase in activities related to the IFAD12 business model. The focus will be on two main principles for increased and deepened impact. The first principle is proximity. At the time of the IFAD11 Consultation, only 16 per cent of IFAD’s staff was based in field offices. In IFAD12, strong decentralization of operational staff will continue (currently at 33 per cent), with a target of deploying 45 per cent of staff to service and support functions in regional hubs and IFAD Country Offices (ICOs). The COVID-19 pandemic has also shown that IFAD’s field presence matters. It ensures that IFAD plays a role in shaping the response from the United Nations country team and in coordinating action with the Rome-based agencies, international financial institutions and other development partners in the field during times of crisis. In addition to finalizing IFAD11, 2021 will be key in preparing for IFAD12, particularly as regards the design of new projects. Activities related to the adoption of an adaptive, learning-centred approach will be accelerated to ensure IFAD is nimble enough to implement course corrections more quickly. Such agility is essential when risks arise that could undermine development objectives and outcomes, or when economic or other shocks emerge. Adequate resources will need to be dedicated to ensure that country teams have the tools and incentives to learn and adapt more quickly. By boosting the quality assurance process and articulating exit strategies during design in 2021, IFAD12 is primed for a strong start.
5. Based on lessons learned in the last few years of decentralization and the Fund’s rapid responses to COVID-19, IFAD is currently conducting a comprehensive analysis on its increased field presence and capability to arrive at the right

configuration. This exercise is taking place in tandem with the overall strengthening of IFAD's workforce and responds to the need for the Fund to be closer to its clients.

6. The second principle of the IFAD12 business model is the need to adopt an adaptive and learning-centred approach to "doing development". The objective here is to improve the ability to learn and to respond and evolve quickly. IFAD will need to be able to make course corrections quickly when facing risks that could undermine development objectives, or when economic or other shocks emerge.
7. Keeping transformational country programmes at the centre of IFAD12's delivery will involve closer interaction with an array of clients; a deepened approach to mainstreaming; a wider menu of solutions, including access to new ways of working through the Adaptation for Smallholder Agriculture Programme + (ASAP+); and enhanced private sector engagement. Supporting the achievement of these goals will speed the transformation of the institution through the People, Processes and Technology Plan (PPTP) and IFAD's new financial architecture (ensuring financial sustainability while maximizing resources for the poorest countries and the poorest people). IFAD must therefore build interventions in 2021 that help mitigate the worst impacts of COVID-19 and ensure that the IFAD12 business model puts a renewed emphasis on risk readiness, resilience and adaptive approaches to rural development.
8. Moreover, progress has been made in designing and starting implementation of a consolidated Enterprise Risk Management (ERM) Framework. This is designed to further promote trust and accountability and the efficient functioning of a decentralized business model, while also mitigating risks derived from an evolving operational context. In order to bring the ERM function in line with international standards, IFAD will leverage strengthened internal capacities and, in particular, the newly created Risk Management Division, headed by a recently appointed Chief Risk Officer, to further improve the Corporate Risk Dashboard as well as mechanisms for mitigating financial, operational and strategic risks.
9. Overall, 2020 marked the consolidation of IFAD's continued change process to maximize delivery and ensure quality results. Of special note were: (i) the continued roll-out of key items on the internal reform agenda and the rationalization of recent changes within organizational structures, processes and systems; (ii) growing engagement with the private sector through successful initiatives and operations; (iii) continuing working to strengthen the organization's financial architecture, with improved management procedures and financial tools to support current borrowing activities and a diversified capital structure; and (iv) progress on IFAD 2.0 and the future business model.
10. The consultation process for IFAD12 began in February and will unfold over the course of 2020, until the final resolution is submitted for approval at the 2021 Governing Council. Despite the current challenging circumstances, the replenishment has gained momentum over the last few months, with 10 countries having already pledged for IFAD12, including three countries that doubled their pledges from IFAD11. Throughout the consultations to date, Members across all lists have reiterated their strong support for IFAD and its mandate, and expressed their commitment to mobilizing the resources needed for IFAD to continue supporting poor rural people while remaining financially sustainable in the long term. One of the main lessons learned from prior replenishment exercises is the need to engage more stakeholders earlier and more substantively.
11. IFAD's move to strengthen its financial architecture included positioning itself to obtain a strong credit rating. Another key focus in 2020 was on leveraging existing core resources to implement the new, IFAD Private Sector Engagement Strategy 2019-2024. This is one of the pillars of the Fund's future financial sustainability. Work to this end will continue in 2021.

12. Management intends to deliver on this ambitious agenda by combining a cost-effective approach and an efficient alignment of resources to strategic priorities, with the extension of the PPTP funded by the second tranche of the targeted capacity investment implementation plan.

II. Current perspective

A. Impact of the COVID-19 crisis on IFAD's operations and the Fund's response

13. Considering the effects of COVID-19 on the world economy and the resulting impact on food security, it is more important than ever to Members that IFAD concentrate its resources where they are most needed. To enable the Fund to double its impact by 2030, Members expect IFAD to raise its ambitions in the four mainstreaming themes of environment and climate, gender, youth and nutrition; to improve its business model, and in particular its proximity to governments, beneficiaries and partners; and to become more agile as regards the types of instruments and solutions it can offer. There is confidence that IFAD can deliver on this expectation together with the recognition that these ambitions will need to be supported by a strong replenishment allowing investments in capacity at the country and regional levels. Delivering a comprehensive response to such an unprecedented crisis will require careful targeting of scarce resources.
14. As of 25 June 2020, the projected programme of loans and grants (PoLG) for 2020 was US\$1.10 billion, including a number of operations to be fully or partially financed from funds cancelled from previous programmes/projects, using the IFAD Policy on Project Restructuring. These restructured resources are not counted as part of the resources available for commitment.
15. The current PoLG comprises 34 new projects, two regional lending operations and additional financing for eight ongoing projects. Among the additional financing proposals, four fill identified financing gaps and the other four are for scaling up successful ongoing operations.
16. By the end of September 2020, it is estimated that US\$680 million of financing will have been approved for 19 of these new operations, including two to be approved under the delegation of authority (DoA) of the President.
17. For IFAD's global, regional and country grant financing programme, approximately 15 grants worth some US\$30 million are expected to be approved by the end of 2020. Additionally, US\$30 million out of the US\$40 million of IFAD seed funding provided to the Rural Poor Stimulus Facility (RPSF) should be approved by the end of the year.

Portfolio

18. As at 25 June 2020, there were 237 projects worth US\$8.9 billion in the portfolio. The active grant portfolio comprised 145 grants valued at US\$207 million. Projected disbursements for the year were estimated at US\$678 million.

B. Update on 2020 programme of loans and grants

19. Maintaining a highly efficient organization, achieving efficiency gains and savings, and establishing linkages between corporate strategic priorities and the allocation of resources will be the thrust of budget management in 2021. The Fund's efficiency ratio of administrative expenditure to PoLG was 12.9 per cent in IFAD10. The 2019 efficiency ratio was approximately 9 per cent, and the projected ratio for 2020 is 14 per cent. Assuming a reasonable increase in core contributions and financial leveraging opportunities to increase overall PoLG, the medium-term goal is to adjust IFAD's administrative budget to maintain single-digit efficiency ratios averaged over replenishment periods. During the last year of IFAD11, the organization will continue to seek improved efficiencies and to contain the administrative budget while maintaining its focus on PoLG targets, despite the

challenges presented by the COVID-19 crisis. Overall, as recognized by the Multilateral Organization Performance Assessment Network assessment in 2017-2018, a culture of results is growing at IFAD, including results-based budgeting.

20. It should be noted that IFAD continues to maintain an overall active portfolio in excess of US\$7 billion. With the proposed 2021 budget, the IFAD11 cycle is on track to become the first replenishment period in IFAD's recent history with a planned PoLG delivered entirely under zero-real-growth budget principles. Improvement in efficiency evident as the monetary value of the current portfolio at the end of 2018 was US\$7.1 billion and hence the portfolio value as a ratio of total costs was US\$46 for every US\$1 of budget expenditure. The corresponding figure under IFAD 9 (2013–2015) was US\$43. Projections indicate continued improvement, meaning a further increase in portfolio by dollar of budget expenditure for IFAD11. Details will be shown in the final budget document.
21. In 2020, in the context of a zero-growth budget, IFAD has been managing a target PoLG of US\$1.1 billion by designing fewer but bigger projects to maximize its impact in the face of mounting external challenges.
22. Notwithstanding significant progress in many areas, there are still multiple challenges that IFAD must address urgently. For instance, in 2021, the last year of IFAD11, IFAD has to move ahead quickly on many operational fronts, including rural transformation, mainstreaming gender, nutrition, environment and climate, and youth, strengthening IFAD's performance as a strategic partner and leveraging increased operational and policy engagement at the country level. All this has to be done while also working closely with countries and beneficiaries to minimize the effects of the COVID-19 crisis.
23. With regards to decentralization and DoA, IFAD's map has been defined and implemented. In the coming years IFAD aims to further strengthen the size, capacity, adaptability and distribution of its personnel outside of headquarters by bringing the level of field-staff to up to 45 per cent of total staff numbers. This will ensure that a critical mass of technical experts is available close to where they are most needed and that corporate support services can be delivered in real time, effectively and efficiently. In accordance with an IFAD11 commitment, the DoA framework was implemented so that 16 regional hubs and ICOs had wider decision-making powers as of July 2020. IFAD is currently conducting an in-depth analysis of the existing hub model with a view to leveraging lessons learned in order to further enhance its presence in the field.

C. 2019 and 2020 net regular budget usage

24. Actual expenditure against the 2019 regular budget amounted to US\$150.56 million or 95.2 per cent of an approved budget of US\$158.21 million. Budget utilization was thus marginally higher than the 94.5 per cent of 2018.
25. Based on current projections and due to the significant impact of the COVID-19 crisis, utilization of the 2020 budget is expected to be at US\$140.3 million or about 89.0 per cent. It must be said, however, that the current level of uncertainty makes precise estimation difficult at this point and that any projection should be seen as an approximation. But Management remains optimistic that the last quarter of 2020 will clarify the operational characteristics of the new global business environment so that a more realistic forecast of future budget utilization can be made in the final budget document.

Table 1

Regular budget utilization – actual 2018-2019 and forecast 2020

(Millions of United States dollars)

	2018 full year		2019 full year		2020 forecast	
	Budget	Actual	Budget	Actual	Budget	Forecast
Regular budget	155.54	146.95	158.21	150.56	157.90	140.30
Percentage utilization		94.5		95.2		89.0

26. Following the 2019 PoLG delivery, both the latter part of 2020 and 2021 continue with an increased focus on delivery quality together with a reorientation as part of the IFAD response to COVID-19. During the first six months of 2020 the crisis significantly reduced travel and consultancy budget utilization. But that was offset by higher spending on the ICT upgrades needed to enable remote working. This involved rightsizing IFAD's digital offerings and technological infrastructure in addition to upgrading processes, policies and procedures for security management. Improvements were also made in medical services, facilities management and human resources for a safe, secure and productive working environment.
27. Some positive effects on euro-denominated commitments (for both staff and non-staff cost components) may occur in 2020 due to the exchange rate trend, which could further reduce budget utilization in United States dollars terms. A more detailed breakdown of actual budget usage for 2020 and forecasted utilization for 2021, disaggregated by results pillars and adjusted for the final confirmed foreign exchange rates, will be provided in the final budget document.
28. IFAD has analysed the impact of COVID-19 on its budget by comparing budget utilization in 2020 to 2019 (January–June). It was seen then that despite lower utilization in travel and consultancy, the budget consumption has increased by 2 per cent overall as a result of significantly higher expenditure levels on ICT, interpreting services, training and facilities management. This has meant introducing greater rigour in budget execution management to ensure the Fund can absorb a resurgence of activity in the latter part of 2020 and to preserve a high carry-forward capability for 2021. This is needed to allow smooth transitioning and balance of activities levels across 2020 and 2021, and is particularly important in the context of a zero-real-growth budget for 2021. It is the third year running that IFAD is showing such budgetary prudence during a period of significant organizational change, reform and growth.

Table 2

Change in budget utilization 2020 vs 2019 (January - June)

(Utilization %)

Expenditure category	Budget utilization January - June		% change in budget utilization
	2019	2020	2020 vs 2019
Travel costs	41%	14%	-27%
Cooperating institutions	38%	29%	-9%
Consultancy	77%	74%	-3%
Staff costs	89%	90%	+1%
Admin costs	18%	21%	+3%
Facilities management	199%	206%	+7%
Training	30%	41%	+11%
Interpreters	79%	98%	+19%
ICT	63%	104%	+42%
Overall IFAD	79%	81%	+2%

D. Carry-forward allocation

29. The carry-forward rule, in place since 2004, states that unobligated appropriations at the close of the financial year may be carried forward into the following financial year up to an amount not exceeding 3 per cent of the approved annual budget of the previous year.
30. Historically, this rule has provided much-needed flexibility to ensure that resources could always match the level of mandated activities. For 2020 the Governing Council agreed that unobligated appropriations at the close of the financial year 2019 be carried forward into the 2020 financial year up to an amount not exceeding 5 per cent of the corresponding appropriations to support the delivery of certain corporate priorities. This clearly demonstrated the importance of increased flexibility: considering IFAD's ambition of doubling its impact by 2030, the imposition of a ceiling on the proposed carry-forward element could have hampered the organization's ability to respond quickly and effectively to new demands.
31. The COVID-19 crisis has made this need for greater carry-forward capacity even more evident. Approval of carry-forward amounts in excess of the usual 3 per cent or even 5 per cent, has proved pivotal in helping Management address unforeseen strategic priorities during this exceptional year. In recent years the carry-forward facility has proved invaluable in the preparation of key deliverables that do not occur annually such as the flagship Rural Development Report every three years. It has been used to kick-start numerous new strategic initiatives such as the innovation challenge, the South-South and Triangular Cooperation facility set-up, and action on preventing sexual exploitation and abuse. Most recently, IFADs rapid response to COVID-19 and the smooth, phased return to offices benefited from the flexibility offered by the carry-forward facility. In the midst of the crisis, IFAD consulted extensively with members of the planning, budgeting and performance management network, which has often, in prior replenishment periods, provided IFAD with the option of balancing activities around its programme of work across years.
32. In addition to finalizing IFAD11, 2021 will be the key year in preparations for IFAD12, particularly as regards the design of new projects. This means activities accompanying the implementation of an adaptive, learning-centred approach will be accelerated to ensure IFAD is nimble enough to carry out course corrections quickly when significant risks arise, or when economic or other shocks emerge. A flexible and ample carry-forward facility is indispensable in ensuring such nimbleness and adaptability.
33. For the 2021 budget, a carry-forward facility of 10 per cent of the unutilized 2020 budget is being proposed, allowing for the successful completion of IFAD11, especially in response to programme threats in a hypothetical post-COVID-19 landscape. Additionally, one-time activities required for the completion of the credit rating process, enhancement of mainstreaming themes and the completion of organizational reforms such as those called for by the McKinsey study add to the complexity of managing increased demands under the proposed zero-real-growth budget, for the third consecutive year. In 2020, the rapid turnaround of activities in the design of the RPSF, for example, was made possible by a combination of repurposing low utilization budget lines and leveraging the flexibilities provided by an increased carry-forward allocation.
34. Management is expecting the second half, and particularly the last quarter, of 2020 to see some increase in activity, which means adopting some stricter financial discipline and budget diligence measures to ensure that the proposed carry-forward of 10 per cent is possible. This will help adequately rebuild, recover and establish resilience in the wake of the COVID-19 crisis.

35. As the actual utilization for 2019 amounted to 95.2 per cent, the carry-forward available was US\$7.65 million, or 4.8 per cent of the 2019 approved budget. As of 30 June 2020, approximately US\$7.44 million was allocated, of which US\$2.5 million has already been used. Out of the allocated funds, US\$0.95 million was subsequently repurposed to fund specific items from the PPTP initiative.
36. A table showing the utilization of the approved 2019 carry-forward budget will be provided in the final budget document. This amount is expected to be fully utilized.

III. Gender sensitivity of IFAD operations and budget

37. Historically, and particularly in the last decade, IFAD has had a strong focus on mainstreaming themes, regularly raising ambition and delivering results. At present, all country strategic opportunities programmes factor in environment and climate change, gender, nutrition and youth in their analyses. All projects that form part of the PoLG mainstream environment and climate and gender, and at least 50 per cent of projects at design, are nutrition-sensitive and youth-sensitive. Further, at least 25 per cent of IFAD11's PoLG is being invested in climate-focused activities and at least 25 per cent of projects approved in IFAD11 are not only gender-sensitive but gender-transformative. The findings of a gender-sensitivity analysis will be presented in the final budget document.
38. The budgeting system, implemented in 2019, is designed to capture planned resources earmarked for the main thematic areas, including gender-related activities.

IV. IFAD's programme of work for 2021

39. The three-year IFAD11 period ends in 2021. IFAD expects to attain the PoLG target of US\$3.5 billion set for the period.
40. At the time of writing, the planned IFAD PoLG for 2021 was US\$629 million. But IFAD will try to supplement this core programme with approximately US\$50 million in IFAD-managed funds mobilized from other sources, bringing the total PoLG to US\$679 million.

Table 3
Actual and projected programme of loans and grants
(Millions of United States dollars)

	<i>Actual</i>				<i>Forecast</i>	<i>Planned</i>
	2016	2017	2018	2019	2020	2021
IFAD loans (including loan component grants) and Debt Sustainability Framework grants ^a	726	1 257	1 137	1 640	1 056	589
IFAD grants	48	51	52	25	30	30
RPSF (IFAD funding)	-	-	-	-	30	10
Total IFAD PoLG^b	774	1 308	1 189	1 665	1 116	629
Other funds under IFAD management ^c	84	63	132	32	25	50
Total PoLG	858	1 370	1 321	1 697	1 141	679

^a Source: Grants and Investment Projects System as of 25 June 2020. Current amounts reflect any increase/(decrease) in financing, including additional domestic and international cofinancing.

^b Includes resources from the first phase of the ASAP.

^c Other funds managed by IFAD, including the Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund), Global Environment Facility/Least Developed Countries Fund, Global Agriculture and Food Security Program, European Commission and European Union, the Green Climate Fund and the OPEC Fund for International Development in addition to bilateral supplementary/complementary grants.

41. Some 14 projects and programmes, and three additional financing proposals, are being prepared for approval in 2021.
42. The estimated number of global/regional and country grants in 2021 is between 15 and 20, for a total of US\$30 million. The priority areas of IFAD's grant programme for IFAD11 are aligned with the strategic guidance note for IFAD12, i.e.:

- (i) Production for food security, nutrition and income generation;
 - (ii) Climate change, resilience and environmental sustainability;
 - (iii) Gender equality and women's empowerment;
 - (iv) Opportunities for youth;
 - (v) Business opportunities and partnership with the private sector; and
 - (vi) Strategic priorities endorsed by Management.
43. Other grant proposals may be developed in connection with strategic corporate priorities such as systems-related aspects defined in the IFAD11 commitments (including, for example, monitoring and evaluation, ICT for development, corporate citizenship, transparency) or other emerging innovations that have a clear potential to contribute to IFAD operations.

V. 2021 net regular budget

A. Strategic prioritization

44. IFAD will put increased emphasis on introducing further efficiencies into strategic planning, budgeting and other administrative management processes in 2021. Divisions will be provided with clear envelopes, enabling prioritization in line with corporate strategic direction. The business process review exercises in progress are addressing the technical, cultural and procedural aspects of budget management. This involves enhancing practices that create value for money and fiduciary responsibility in budgeting for core areas such as duty travel management and the hosting of (and participation in) corporate and other key events.
45. Identified corporate priorities for 2021 cover three key focus areas that contribute to the overarching goal of doubling IFAD's impact by 2030:
- (i) Strengthening the agility, capacity and adaptability of IFAD's workforce and field presence, as well as its proximity to beneficiaries;
 - (ii) Diversifying and expanding IFAD's resource base; and
 - (iii) Fiscal responsibility through greater financial sustainability and enhanced ERM.
46. The 2020 Annual Report on Results and Impact of IFAD's Operations (ARRI) noted that performance overall was satisfactory or moderately satisfactory. Areas where Management has made good progress included environment and climate change, efficiency and sustainability and the ability of IFAD's programmes to adapt well to changing contexts. At the same time, the report highlighted areas needing further sustained efforts, such as strengthening linkages between the lending and non-lending portfolio, designing with an eye on implementation capacities and supporting project management units during implementation to improve government performance, particularly on sustainability and efficiency. Management will leverage existing and new resources to focus on the areas of weaker performance highlighted in the ARRI including:
- (i) Strengthening monitoring and evaluation capacity and systems at central and field levels to better demonstrate the impact of IFAD's programmes and projects;
 - (ii) Devoting greater resources to non-lending activities in country programmes. This would also require greater operational resources to free up more time for country directors to focus on policy-level engagement;
 - (iii) Developing action plans to improve project sustainability and efficiency, with a focus on government performance. These plans would require dedicated resources based on the activities proposed;

- (iv) Improving measurement and monitoring systems and capacities, particularly for youth and nutrition, which could require further resources for capacity-building, as well as some system updates; and
 - (v) Conducting a joint review with Independent Office of Evaluation of IFAD, using external expertise, of IFAD's evaluation methodologies (independent as well as self-evaluation) to inform the anticipated revisions to the evaluation manual.
47. Management's responses to the priorities listed above are expected to have budgetary implications which, for the most part, will be absorbed in 2021 – though activities that extend into the years ahead could be cost drivers for real increases in the future. The feasibility of absorbing such activities within a zero-real-growth budget in 2021 stems from the fact that most of them are part of the ongoing institutional changes and are essential to doubling impact by 2030, such as:
- (i) Enhancement of a holistic presence outside of headquarters and increased proximity to in-country partners and beneficiaries;
 - (ii) Involvement of IFAD's clients at the project design stage, helping build ownership, ensure relevance and increasing commitment from governments during implementation;
 - (iii) Building capacity for project management units, despite significant challenges with turnover;
 - (iv) Strengthening synergies between lending and non-lending activities. A hub structure with technical staff and more time for country directors to focus on non-lending activities could further improve performance here;
 - (v) Continuing to focus on the mainstreaming themes to ensure not only the availability of results but also the successful achievement of expected targets and outcomes. Sufficient data to enable proper evaluations of mainstreaming interventions will not be available in the next few years, until current projects are completed; and
 - (vi) Moving ahead with the Private Sector Engagement Strategy and the Framework for IFAD Non-Sovereign Private Sector Operations, including the COVID-19 response. IFAD's first non-sovereign private sector operations will aim to attract and de-risk private funding in support of IFAD's main target groups. This will be achieved through the deployment of new financial instruments and solutions adapted to the needs of small producers and rural small and medium-sized enterprises. In the long term, it is expected that these operations, while being affordable to recipients, will also become financially self-sustainable.
48. At the same time, the strategic workforce planning process is being conducted by the Human Resources Division to determine the ideal usage of IFAD's workforce and ensure its alignment with the Fund's priorities in terms of numbers, competencies and skills. Responsibility for workforce matters has been redistributed among three key players – the Office of Strategic Budgeting, the Human Resources Division and the Change Delivery and Innovation Unit. A detailed description of workforce distribution will be in the final budget document.
49. Major outcomes of the human resources study are currently being addressed and will continue to be implemented in 2021 as part of the PPTP. With that, IFAD is rebalancing the skill profile of its workforce to achieve a better mix of administrative and functional expertise.
50. IFAD will carefully review its use of consultants and of the staff/consultant ratio, particularly as regards long-term consultants and the recruitment of national

versus international staff. It is planned to adjust existing policies to improve the balance.

51. As part of the 2021 budget preparation process, incremental departmental staffing requirements will be assessed in accordance with corporate priorities and the estimated results of the strategic workforce planning exercise. Considering a zero-real-growth scenario for the 2021 budget, increased staffing requirements will need to be offset by cost savings and efficiency gains and the reduction of allocations to lower-priority activities.

B. Cost drivers

52. The primary cost drivers identified in the preparation of this preview can be grouped as follows:
- (i) Adjustments to staffing complements in ICOs for the next stage of strengthening field presence, capabilities and operational capacities;
 - (ii) Staff costs arising from consolidation of reform initiatives;
 - (iii) Depreciation and other recurrent expenses related to capital budgets;
 - (iv) Non-staff costs from corporate and operational adjustments in a post-COVID-19 context;
 - (v) Adjustments to ensure regularization of core recurrent costs related to PPTP;
 - (vi) Other potential real increases; and
 - (vii) Price increases.
53. For this high-level preview, identified and known cost increases have been included, taking into account the impact of reforms and rationalization in 2020, as well as estimated real cost increases for 2021.
54. The details of the cost drivers are as follows:
- (i) **Adjustments to staffing complements in ICOs related to operational capacity enhancement for the next stage of increasing proximity to clients.** Adjustments are required to provide technical, thematic and operational support to increased country presence in line with the goal of achieving 45 per cent staff in the field over the next few years. IFAD is currently conducting a comprehensive analysis on how to achieve a stronger presence on the ground and broader reach. The enhanced field presence will be technology-enabled and administratively optimized, ensuring technical expertise is available where it is most needed and that relevant support does not hinder programme implementation (DoA). This means staff in ICOs are further empowered with relevant approval levels that enable them to respond faster to the demands of country programmes. IFAD's outreach will be enhanced to ensure IFAD's close engagement with Member States at headquarters, as well as with governments at country level. The aim is to have a more rounded presence on the ground while also delivering on the vision of one IFAD fully represented in countries (as opposed to programme presence only).
 - (ii) **Staff costs arising from consolidation of reform initiatives.** Increases in staff costs are expected due to the implementation of the McKinsey study recommendations, PPTP and the enhancement of the ERM and compliance functions. These expected costs are linked to the strategic workforce planning exercise and IFAD's transition to a more appropriate staff structure, mitigating the risks posed by the long-term consultancy model.
 - (iii) **Depreciation and other recurrent expenses related to capital budgets.** The COVID-19 crisis has increased risks to infrastructure and systems, revealing the need for enhanced cybersecurity. This is because existing

software and hardware infrastructure is not sized and configured to deal with the increased demand of fully virtual and hybrid remote working modalities. The investments needed will generate additional depreciation and recurrent costs. In addition, the use of teleworking and digital innovation in delivering programme and corporate services are top of the transformational agenda. A higher number of ICT projects are expected to be implemented in 2021. At the same time, the activities that form part of the technology work stream of the PPTP will also contribute to a higher depreciation figure, currently set to increase by an estimated US\$200,000. With additional systems being activated as previously approved capital budget projects go live, there will be an increase in maintenance, support and licensing costs. These costs will be estimated and included in the 2021 final budget proposal as part of the real increase component of budget growth. It is expected that some of these costs will be offset by savings from completed capital budget projects due to the recently introduced benefits realization process.

(iv) **Non-staff costs from corporate and operational adjustments in the COVID-19 context.**

The impact of the global pandemic and how it will translate into budgetary adjustments is still difficult to predict. The need to set up new working spaces that respond to technological and health safety needs, like hybrid conferencing facilities and meeting rooms, enhanced security and more frequent deep cleaning of working spaces, are illustrations of the type of costs that have to be taken into account. With the expected increase of travel unit costs in 2021, more missions will be held remotely and strict scrutiny will be applied to ensure value for money on mission travel. As a result, 2020 travel costs cannot be used as a baseline for 2021 and IFAD is targeting a reduction in overall travel costs.

(v) **Other potential real increases.** Other priorities and initiatives are also likely to result in increased real costs. These include differentiated financial products, results-based lending methodologies and engagements in the United Nations reform process. IFAD will continue implementing actions agreed in the road map for IFAD's financial strategy and consolidation of the existing ERM Framework, with particular attention to country and operational risk, financial risk and preparedness for activities aimed at expanding and diversifying IFAD's resource base. Management will be expected to resource these high-priority activities by offsetting the incremental costs with reductions in areas of the programme of work where savings can be found.

(vi) **Price-related cost drivers.**

(a) Staff costs for the 2021 budget are based on the following assumptions:

- No increase in base salaries for either General Service or Professional staff is expected in 2021, although the International Civil Service Commission may make adjustments to some parameters used to determine pensionable remuneration, which could result in additional costs for the organization. These will need to be factored into the revised standard costs for all staff categories and grades, and the outcome of the exercise will be fully embedded in the staff costs component used for final budget preparation.
- The pricing effect on the staff cost component is expected to rise by approximately US\$2.51 million as a result of organizational changes, promotions and within-grade step increments.

(b) The inflation adjustment for the 2021 budget will be based on the agreed methodology, using specific inflation numbers for several line

items and a weighted average of the world and Italian consumer price index for all other costs. These adjustments will have an impact on budget lines like consultants, travel, ICT and other costs. The unit price increases in travel are expected to be offset by lower travel activity. An overview of all price increases is provided in table 4.

55. For this high-level preview, the EUR 0.885 to US\$1 exchange rate employed in the 2020 budget has been used. The 2021 budget document will be prepared using the exchange rate determined by the approved methodology (which is the average of the United Nations operational monthly rate from October 2019 to September 2020). As an indication, the average of the United Nations exchange rate from January–June 2020 has been EUR 0.905 to US\$1, which would result in a slight nominal budget decrease due to the lower value of the euro-denominated portion of the IFAD budget.
56. As per normal practice, the implications of all of the above cost drivers, along with any newly identified ones, will be determined during preparation of the final budget proposal document. The cost of every expenditure will be estimated on the basis of actual price increases where available, negotiated prices for specific contracts, other price reduction factors and application of regular inflation. To the extent possible, price-related cost drivers will be partially absorbed to achieve zero real growth and minimal nominal growth of the budget.
57. IFAD is currently initiating a comprehensive review of its facilities and assets, not only at headquarters, but also across its ICOs, to assess their continued suitability and cost efficiency in a “new normal” working environment.
58. It is recognized that applying and implementing the recommendations from the human resource study is a significant cost driver. A gradual implementation is therefore foreseen in order to maintain a zero-real-growth budget in 2021.

C. 2021 net regular budget proposal

59. At this stage, the high-level net regular budget for 2021 is proposed at US\$159.4 million, representing a nominal increase of 0.96 per cent (US\$1.51 million) over 2020, mainly driven by the staff costs component and a negative US\$2.5 million, representing reductions in travel and other costs components (e.g. administrative costs). To further reduce costs in the medium to longer term, IFAD is exploring the feasibility and assessing the overall implications of holding the 2021 Governing Council in a virtual format as well as the pros and cons of conducting physical meetings less regularly in the future.
60. In the medium term, and in line with the increasing level of programme delivery and PoLG, as well as other mandated activities, the expectation is for modest real increases in the IFAD12 period, when adequate resources will need to be dedicated in a manner that ensures country teams have the tools and incentives to learn more quickly and effectively on what does and does not work, and to adapt more fully. This will require more frequent strategic planning with stakeholders, and more agility during project design and implementation, in order to maintain continued focus on doubling IFAD’s impact by 2030.
61. IFAD recognizes that in a limited zero-growth budget environment, some difficult trade-offs are inevitable. Department heads have been critically assessing various areas of work given the need for reprioritization – for instance, optimizing resource allocation for travel-related activities by selecting what can be delayed or moved to a virtual environment. Also being looked at are the levels of research, reporting, publications and participation in events. A comprehensive revision of key focus areas has been conducted as part of the newly streamlined strategic prioritization and planning process. In most cases, reports and publications are minor extensions of already concluded research work with minimal incremental costs, which means potential savings are limited. That said, IFAD continues to

ensure the right activities are funded from the right sources, alleviating pressure on the administrative budget.

62. At this stage, due to COVID-19-related restrictions, it appears that the next Governing Council could be held virtually, as mentioned above. This suggests that IFAD could achieve some net savings to offset associated increases in translation and technology costs. Recent experience with hosting various virtual governing bodies meetings has shown commensurate and, in some cases, higher interpretation and translation costs. The additional savings may therefore not be as significant as those obtained, for instance, when the Governing Council was moved from IFAD premises to the Food and Agriculture Organization of the United Nations. Nevertheless, some savings of travel and hospitality-related costs can be envisaged.
63. In order to maintain an appropriate ratio between General Service and Professional staff, IFAD continues to closely monitor the current freeze, in which recruitment of external General Service Staff is limited to exceptional and extremely rare circumstances, i.e. when the skills and experience needed cannot be found internally. This helps manage overall staff costs. IFAD is also critically exploring the feasibility of implementing office administrative business support centres in headquarters and ICOs, where they would prove cost-effective.
64. In the final budget document, the costs of each line item will be reviewed and refined to reflect real and price-related increases, and adjusted in line with the 12-month average exchange rate for euro-denominated expenses. Feedback provided by the Audit Committee and the Executive Board on this high-level preview will also be taken into account.
65. A comparison of the 2020 approved budget and the 2021 high-level budget proposal is set out below in table 4. It outlines Management’s decision to strategically reposition the levels of resources assigned to key cost categories. IFAD expects to be able to leverage the opportunity presented by the crisis and of changes in the global business landscape to achieve greater efficiency. This will include boosting staff resources and reorganizing working practices on the premise that greater impact can be achieved with more staff but fewer non-staff resources.

Table 4
Net regular budget – staff and non-staff costs, 2020 and 2021
(Millions of United States dollars)

<i>Cost category</i>	<i>Approved 2020</i>	<i>Proposed 2021</i>
Staff	94.32	98.34
Consultants	22.51	22.80
Duty travel	9.6	6.72
ICT non-staff costs	5.45	5.65
Other	26.02	25.90
Total	157.9	159.41

66. A detailed breakdown of the IFAD regular budget by expenditure categories, institutional output group pillars and departments will be provided in the main budget document.
67. The 2021 budget proposal will include the second tranche of the three-year PPTP to continue IFAD’s trajectory of enhancing staff capacity and capabilities, and automation. A progress status report on the PPTP will be provided to the Executive Board separately from the high-level preview. It is expected that the final budget document will fully incorporate a detailed update of PPTP and the proposal for drawing down the second tranche of the targeted capacity investment budget for

the Audit Committee’s review in November 2020 and Executive Board’s approval in December.

D. 2021 gross budget proposal

68. IFAD implements and manages on behalf of third parties a number of operations that are external but complementary to IFAD’s PoLG. These are financed from supplementary funds. Engaging in these partnership activities involves additional incremental costs for IFAD in design, implementation, supervision and administration. These costs are usually funded from management fee income under the supplementary fund agreement and are currently estimated at US\$4.7 million.
69. The gross budget includes the net regular budget as well as resources required to administer and support specific supplementary-fund-related incremental work. Activities performed to carry out IFAD’s core PoLG and related functions will continue to be funded by the net regular budget. Separating the gross and net budgets ensures that fluctuations in the workload related to the supplementary funds do not affect the regular budget on a year-to-year basis. The gross budget shows only incremental costs to support supplementary-fund-related activities for ASAP+, the European Union (including CGIAR funding) and the Spanish Trust Fund.
70. In the last two years, IFAD has invested in improving its systems for managing these funds, and all data related to supplementary funding agreements are now integrated into IFAD’s corporate systems. This has resulted in enhanced efficiency, strengthened compliance and improved information and reporting.
71. The above estimate will be subject to review prior to finalization of the gross budget proposal for inclusion in the final budget document. The amount can be fully recovered from the annual allocable portion of the fee income generated from the management of supplementary funds. Consequently, the current estimate of the gross budget is US\$164.1 million, which includes resources to manage the operations financed by supplementary funds. As the number of supplementary funds under IFAD management could grow, the final budget document may indicate a slightly higher gross budget. Endorsement is being sought only for the proposed net regular budget of US\$159.4 million.

Table 5
Indicative gross and net budget for 2021
(Millions of United States dollars)

<i>Cost category</i>	<i>Approved 2020</i>	<i>Proposed 2021</i>
Gross budget	162.60	164.11
Costs to support supplementary fund activities	(4.70)	(4.70)
Net budget	157.90	159.41

E. Capital budget for 2021

72. IFAD’s capital budget has been maintained at a very low level for several years now. One reason for this was to reduce the volume of new projects and shift the focus towards project implementation. This led to the fact that currently there are a number of projects in the pipeline for which funding was not available in the 2020 capital budget. Those projects will need funding from the 2021 capital budget on top of the new requests that are expected for next year. The COVID-19 crisis has shown the importance of state-of-the-art ICT systems and infrastructure for business continuity. Increased demand for digitization is therefore expected, which would require a return to historical capital budget levels. This would enable IFAD to continue its digital transformation and its shift to cloud-based solutions. Parts of the 2021 capital budget will further be needed to fund some of the activities from the technology work stream in the PPTP.

73. As in prior years, the capital budget will be split into two categories, namely: (i) an annual capital budget to cover capital expenditures that are cyclical or regular in nature and have an economic life of more than one year (e.g. normal replacement of desktop and laptop computers undertaken every year, and replacement of vehicles in ICOs); and (ii) a capital budget to fund major ICT (if any) and other investment projects, subject to available capacity to undertake additional projects.
74. The proposed capital budget for 2021 is estimated to be in the range of US\$6.5- US\$7.5 million, mainly composed of cyclical capital expenditures and ICT projects.
75. Adding to the capital expenditure part of the capital budget without commensurate capacity to maintain those solutions poses a challenge in terms of sustainability. A growing transition to cloud solutions, which are suitable for a decentralized organization with increased remote and virtual working, will lead to a gradual transition in the medium to long term to higher operational expenditures and less capital expenditures.
76. Further details will be outlined in the final budget document in addition to an assessment of the feasibility of phasing the plans and costs over several years.
77. In 2018, the Office of Strategic Budgeting introduced a rigorous benefits realization process at the Information Technology Governance Committee. Its aim is to monitor and realize promised savings and efficiencies on the completion of various ICT capital projects. Any project due for completion in 2019 and 2020 will be closely reviewed, and realized efficiencies and savings applied to subsequent budget cycles.
78. As more and more ICT applications are moving towards a subscription model, IFAD is mindful that over time, a higher share of implemented ICT projects will have recurrent costs impacting future regular budgets. The recurrent costs from capital investments remain a cost driver, but to ensure a manageable level, future investments need to be carefully assessed.
79. To assist IFAD in rigorously evaluating future capital projects, all proposed initiatives undergo a careful review process, formalized through the Information Technology Governance Committee in order to assess their suitability, optimal design, alignment with corporate priorities and value for money.



Investing in rural people

**Preview of Results-based Work Programme
and Budget for 2021, and Indicative Plan for
2022-2023, of the Independent Office of
Evaluation of IFAD**

Contents

Abbreviations and acronyms	ii
I. Introduction	1
II. Progress of activities in 2020	1
A. Carrying out evaluations in the context of COVID-19	1
B. Progress of select evaluation activities in 2020	2
C. 2020 budget utilization	4
III. IOE strategic goals	5
IV. 2021 work programme	6
V. 2021 resource envelope	8
A. Staff resources	8
B. Budget requirements	8
VI. IOE budget proposal and considerations for the future	10

Annexes

I. IOE Results Management Framework for 2021	
II. IOE progress on targets for Results Management Framework of 2020	
III. IOE proposed evaluation activities for 2021	
IV. IOE's indicative work programme for 2022-23	

Abbreviations and acronyms

ARRI	Annual Report on the Results and Impact of IFAD Operations
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CSPE	country strategy and programme evaluation
DMR	divisional management result
ECD	evaluation capacity development
ECG	Evaluation Cooperation Group
ESR	evaluation synthesis report
FAO	Food and Agriculture Organization of the United Nations
GIS	geographic information system
IE	impact evaluation
IOE	Independent Office of Evaluation of IFAD
OSB	Office of Strategic Budgeting
PCE	project cluster evaluation
PCR	project completion report
PCRV	project completion report validation
PMD	Programme Management Department
PoLG	programme of loans and grants
PPE	project performance evaluation
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
SO	strategic objective
SRE	subregional evaluation
RBA	Rome-based agency
RIDE	Report on IFAD's Development Effectiveness
TE	thematic evaluation
UNEG	United Nations Evaluation Group
WFP	World Food Programme

I. Introduction

1. **A year of change.** The external peer review of IFAD's evaluation function undertaken in 2018-19 (EB 2018/124/R.8) provided recommendations to further improve the processes and product range of the Independent Office of Evaluation of IFAD (IOE). IOE committed to revising its product range to include new products such as thematic evaluations (TEs), to be reflected in the IOE work programme and budget for 2020. This was the first transitional work programme towards implementing the recommendations of the peer review. During 2021, IOE's actions to implement the recommended changes will become fully effective. Thus, 2021 will be a year of change, positioning IOE more strategically to meet the accountability and learning needs of the governing bodies and IFAD Management in the context of progress towards achieving the targets set under Sustainable Development Goals (SDGs), especially those relating to SDG 2. Similar to the work programme and budget for 2020, this work programme and budget is also transitional in nature. It will be followed by IOE undertaking a multi-year evaluation strategy for the medium term that will firmly anchor its contribution towards IFAD's development effectiveness in the context of the sustainable development agenda.
2. **Developing the work programme and budget.** This document was informed by extensive consultations carried out by IOE with IFAD's governing bodies and Management and IOE staff. In addition, it was enriched by the external peer review of IFAD's evaluation function and the subsequently agreed IOE joint action plan with IFAD Management presented to the Evaluation Committee at its 108th session.¹
3. This document illustrates the priorities for IOE in 2021 and beyond, and how they are linked with its work programme and resource requirements. In addition, the document provides an update on the progress made in 2020, budget utilization up to June 2020 and projected 2020 year-end budget utilization. It also provides figures on actual expenditures for 2019. In line with the IFAD Evaluation Policy,² the IOE budget is developed independently of IFAD's administrative budget. The proposed budget is based on the same budgeting principles and parameters (e.g. exchange rate, standard costs for staff positions) used by IFAD Management in preparing its own administrative budget for 2021.³

II. Progress of activities in 2020

A. Carrying out evaluations in the context of COVID-19

4. The outbreak of COVID-19 has affected the implementation of the IOE's work programme. IOE presented an oral update to the Evaluation Committee at its 109th session on plans to adapt individual evaluations. For instance, adjustments are being made to standard approaches to data collection, analysis and stakeholder consultations, and new practices are being adopted. IOE is collecting data through document reviews, remote stakeholder consultations by telephone, Zoom and Skype, and is performing further analysis using project monitoring and evaluation data. In addition, efforts are under way to explore the use of local consultants for short, targeted missions where conditions allow. IOE is also exploring the use of geographic information systems (GIS), cooperating with the Environment, Climate, Gender and Social Inclusion Division to identify the inventory of projects that have geo-referenced their intervention sites. Overall, IOE has drafted a number of principles that it is committed to follow, as outlined below:

¹ <https://webapps.ifad.org/members/ec/108/docs/EC-2020-108-W-P-5.pdf>

² See IFAD Evaluation Policy (<https://webapps.ifad.org/members/eb/102/docs/EB-2011-102-R-7-Rev-3.pdf>). Currently a new evaluation policy is being drafted for approval of the 131st session of the Executive Board in December 2020.

³ New parameters for 2021 such as updated standard staff costs and the standard US\$/EUR exchange rate will be made available to IOE in September 2020.

- (i) Respect the health safety priorities and guidance provided by the World Health Organization, IFAD and the concerned countries, and abide by the international and local travel restrictions applicable to the programme countries.
- (ii) Respect the health and well-being, ethical principles and cultural values of the evaluation stakeholders and IOE staff when conducting evaluations.
- (iii) Minimize international travel. Carry out evaluation events and data collection remotely (including by virtual meetings). Optimize the use of existing documents, databases and other secondary data.
- (iv) Pursue technologies amenable to remote data collection and validation to the extent feasible, such as analysis of geospatial data for geo-referenced interventions when relevant.
- (v) If considered safe and allowed by national rules, have national consultants conduct selected field visits to triangulate findings from other sources. National consultants will be required to abide by all local travel restrictions and health guidance.
- (vi) Collaborate with other evaluation offices, networks and professional organizations to foster exchange of experiences and practices. Draw lessons from this collective wisdom on good practices, risks and pitfalls to promote efficiency gains during the crisis. Use this crisis experience as an opportunity to reflect on and inform future evaluation practices.

B. Progress of select evaluation activities in 2020

5. The progress made on selected evaluation activities is outlined below:

- **Finalization of the corporate-level evaluation (CLE) on IFAD's support to innovation and productivity growth for inclusive and sustainable smallholder agriculture.** The evaluation findings and recommendations are to be presented to the Evaluation Committee at its 110th session and the Executive Board at its 130th session to be held in September 2020. An internal learning event for IFAD staff and the other United Nations Rome-based agencies (RBAs) will be held in late September 2020.
- **Thematic evaluation on IFAD's contribution to smallholder adaptation to climate change.** The approach paper⁴ for the TE was presented to the Evaluation Committee at its 108th session held in April 2020. The evaluation is now in progress, with case studies being prepared and stakeholder consultations and interviews having begun. Field visits will be undertaken only if restrictions on international and local travel are lifted.
- **Evaluation synthesis on rural infrastructure.** IOE has finalized the approach paper. Data collection and analysis have begun. In consideration of the COVID-19 restrictions, the selected field visits planned to complement desk-based evidence will not be undertaken.
- **Joint CLE with the evaluation offices of the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO) on collaboration among the RBAs.** The CLE terms of reference have been drafted jointly by the evaluation offices of all three RBAs and will be presented to the Evaluation Committee at its 110th session in September 2020. Following an inception phase, data collection and analysis are expected to start in the second half of 2020. The evaluation will be completed in 2021.

⁴ See <https://webapps.ifad.org/members/ec/108/docs/EC-2020-108-W-P-4.pdf>.

- **Country strategy and programme evaluations (CSPEs).** National round-table workshops for Ecuador, Madagascar and Sudan were completed, of which those for Madagascar and Sudan were undertaken remotely. The CSPE for Sierra Leone was presented to the Evaluation Committee at its 108th session held in April, and those for Ecuador and Nepal were presented to the Committee at its 109th session held in June. IOE is undertaking desk work and stakeholder consultations for the ongoing CSPEs in Burundi, Morocco, Niger, Pakistan and Uganda. IOE is constantly monitoring travel restrictions in the countries and intends to undertake short and targeted missions in countries if and when the situation permits.⁵
 - **Project performance evaluations (PPEs).** PPEs are progressing as planned. However, no international missions are foreseen for most of the PPEs. Instead, IOE will triangulate desk reviews through remote interviews with stakeholders, field visits by national consultants (national regulations permitting) and use of other sources of data such as GIS where applicable. In 2020, IOE is undertaking PPEs in Bangladesh, Dominican Republic, Indonesia, Senegal, Tajikistan and Uganda.
 - **Impact evaluations (IEs).** The IE of the Ethiopia Community-based Integrated Natural Resources Management Project, begun in 2019, will be completed in the second half of 2020. As to the new IE planned to commence in 2020, IOE proposes not to undertake it. Travel restrictions remain in place in most countries. While IOE has considered alternative options for IE, it has concluded that, in the absence of intensive field visits and field interviews, it would be very challenging to design a credible sampling strategy and undertake quality control to a satisfactory level. This would also generate health risks for beneficiaries, stakeholders and IOE staff. Instead, IOE proposes advancing part of the activities related to the joint CLE on RBA collaboration from 2021 to the second part of 2020.
6. **Follow-up on the external peer review.** Activities in this domain pertain to: (i) preparation of a draft updated evaluation policy; (ii) provision of input to the discussion on the updated terms of reference of the Evaluation Committee; and (iii) preparation of a note on the IOE product range. To this end, IOE has worked in consultation with IFAD Management and the governing bodies. Related outputs are slated for presentation to the Evaluation Committee at its 111th session to be held in October 2020.
7. **Evaluation communication activities.** IOE has published and disseminated to internal and external audiences: nine evaluation reports, five *Profiles*, five *Insights*, two press releases, one media alert, three overviews, one learning brief, five infographics, two quarterly newsletters and three podcasts. IOE also organized two in-house learning events on the evidence-based results framework of the International Rescue Committee and a pocket tool for managing gender-sensitive evaluations during the COVID-19 pandemic delivered by the evaluation office of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). IOE published two blog posts on the evaluation of community-driven development and value chain approaches. IOE has also participated in various external events, mostly remotely, such as the Evaluation Cooperation Group (ECG) spring meeting, the gLOCAL event organized jointly by IFAD, FAO and WFP evaluation offices, the Annual Bank Conference on Development Economics hosted by the World Bank and University of Arizona and a conference of the Evaluation Community of India.
8. IOE has also developed and launched an app called IFAD Leaf for smartphones and tablets. IFAD Leaf is a compact reference hub holding all of IOE's reports in a

⁵ The missions will be conducted by national consultants, under the close supervision of the IOE lead evaluator and international consultant(s). As of the time of drafting this document, a mission is being undertaken in Uganda.

format optimized for mobile use and contains customized filters to search through IOE evaluations quickly and accurately.

9. **Cooperation with other evaluation offices.** IOE is engaging with other United Nations evaluation offices through the United Nations Evaluation Group (UNEG) on exchanging information and drawing evaluative evidence on development interventions that support smallholder farmers and small producers during the time of crisis. The Evaluation Cooperation Group of the Multilateral Development Banks, of which IOE is a member, also organized a virtual seminar in April 2020 on collecting evidence for evaluations during COVID-19.
10. IOE has been invited to collaborate in a joint rapid synthesis exercise, with the evaluation offices of the RBAs and the United Nations Industrial Development Organization, on identifying evidence on the kind of interventions that have been effective in protecting rural livelihoods and food security in times of crisis. This exercise will cover not only the operations of the RBAs and other United Nations organizations but also a number of other development partners and organizations.
11. IOE has been invited to cooperate in the Global Evaluation Initiative led by the evaluation offices of the World Bank and United Nations Development Programme. The initiative is expected to strengthen demand as well as institutional and technical capacity for evaluation in developing countries, and will be implemented in collaboration with international financial institutions and United Nations agencies. It will provide IOE with an opportunity to share its evaluative knowledge as well as draw on other practices.

C. 2020 budget utilization

12. Table 1 reports on IOE budget utilization in 2019 and 2020 up to June 2020, and the projected rate at year-end. Budget utilization in 2020 is expected to be relatively low given the sharp decrease in travel costs as a result of COVID-19 travel restrictions.

Table 1
IOE budget utilization in 2019 and projected utilization in 2020 (as of June 2020)⁶

<i>Evaluation work</i>	<i>Approved budget 2019</i>	<i>Budget utilization 2019</i>	<i>Approved budget 2020</i>	<i>Commitment as of June 2020</i>	<i>Expected utilization as of year-end 2020</i>
Non-staff costs					
Travel costs	840 000	684 704	820 000	133 669	360 000
Consultant fees	1 400 000	1 517 371	1 390 000	1 225 363	1 390 000
Evaluation outreach, staff training and other costs	270 390	287 742	270 390	320 700	350 000
Subtotal	2 510 390	2 489 817	2 480 390	1 679 732	2 100 000
Staff costs	3 473 221	2 542 136⁷	3 388 338	2 772 056⁸	3 200 000
Total	5 983 611	5 031 953	5 868 728	4 451 788	5 300 000
Utilization (percentage)		84.10⁹		75.86	90.3
External peer review (2019 portion of total cost)	200 000	115 392	-	-	-
Recruitment of IOE Director			137 000	0¹⁰	100 000¹¹
Evaluation Policy			50 000	50 000	50 000
Total budget	6 183 611	5 147 345	6 055 728	4 501 788	5 450 000

III. IOE strategic goals

13. As a part of the follow-up to the external peer review, IOE has revised its divisional goals for 2021 to better reflect the wide variety of activities that it undertakes. The goals place increased emphasis on IOE's role in promoting a learning and results culture within and outside IFAD and contribution to evaluation debate at the global level and at regional and country levels. This is in line with the external peer review's recommendation that IOE play a more strategic role within and outside IFAD. The goals are:
 - (i) Ensure credible and independent evidence to improve IFAD's performance and partnerships at corporate, regional, country and project level;
 - (ii) Contribute to enhanced evaluation dialogue within IFAD and at the global, regional and country level; and
 - (iii) Strengthen a culture of results and learning from evaluations within IFAD.
14. IOE will reflect further on its strategic goals as part of the process of drafting a multi-year strategy planned for 2021.

⁶ The format of this table is expected to be superseded by potential changes in the budget reporting process whereby staff and non-staff costs may be reported separately. This table will be discontinued as of next year to simplify reporting, as suggested by the external peer review.

⁷ IOE had several staff vacancies throughout the year, which were filled on an ongoing basis. As per IFAD standard practice, staff costs are budgeted based on standard costs provided by the Office of Strategic Budgeting (OSB). Actual utilization may be lower than standard costs.

⁸ OSB commits funds only against those positions which are filled or have a person charged against them. As of the time of drafting this document IOE had 1 D2, 3 P3s and 1 P2 positions vacant. Recruitment of the D2, 2 P3s and the P2 position was ongoing as of the time of writing this document, and a P3 staff member currently on secondment is expected to return to the position later in the year.

⁹ The utilization rate for staff costs was 73 per cent while that for non-staff costs was 99.18 per cent. Staff costs are budgeted at the standard rates determined by OSB. Actual utilization depends on the EUR/US\$ exchange rate, the contractual terms of incumbent staff and any vacancies that may occur. The actual utilization figures for staff costs were made available by OSB in February 2020. The utilization rate reported here is therefore different from the utilization rate reported in the Work Programme and Budget document for 2020 submitted to the Governing Council at its forty-third session.

¹⁰ IOE has reached an agreement with the Human Resources Division whereby the actual expenditure for recruiting the IOE Director will be transferred in its entirety to the Human Resources Division at the end of the process.

¹¹ As candidates may not be able to travel to Rome in light of COVID-19, a smaller amount is expected to be spent on the process. However, actual utilization will only be known at the end of the process.

IV. 2021 work programme

15. The external peer review also recommended that the IOE work programme and budget document's structure and reporting be simplified. This document for 2021 has therefore been simplified and made more concise.

A. Proposed work programme for 2021

16. As recommended by the external peer review, IOE will prepare, in consultation with the Evaluation Committee, the Executive Board and IFAD Management, a multi-year evaluation strategy to be presented to the Evaluation Committee in 2021. It will orient the selection of evaluations for 2022 and beyond (the list of evaluations for 2022 onwards in annex IV of this document is tentative).
17. Based on the findings and recommendations of the peer review, on its own internal review and feedback received from the governing bodies and Management, priorities for evaluations in 2021 and beyond will include: (i) undertaking evaluation topics that represent major challenges for rural development and reflect key structural changes and reforms at IFAD; (ii) piloting new evaluation products; (iii) responding to learning needs from governing bodies and Management, at the strategic and project levels; (iv) consolidation of findings on IFAD's portfolio performance and results; and (v) contributing to enhance the quality of self-evaluation.
18. In terms of topics representing **major global rural development challenges**, in 2021 IOE plans to complete the TE on IFAD's contribution to smallholder adaptation to climate change. This TE will: (i) assess IFAD's performance and results in supporting smallholder farmers' climate adaptation efforts (summative component); and (ii) identify key lessons and make recommendations concerning ways in which IFAD can enhance its approach and improve its performance in this area (formative component).
19. In terms of informing structural **changes and reforms**, in 2021 IOE will begin a CLE of IFAD's decentralization reform to be completed in 2022. This will be a follow-up to the CLE on the same topic completed in 2016 and will cover the changes that have taken place in the past five years, in terms of both organizational changes, and impact on engagement with partner countries and support to operational and strategic work (including non-lending activities) and their results.
20. Organizational changes also involve corporate partnerships with other agencies. In 2021, the joint CLE with the evaluation offices of WFP and FAO and IFAD on collaboration among RBAs, started in 2020, will be completed.
21. In terms of **piloting new evaluation products**, in 2021 IOE proposes to undertake a subregional evaluation (SRE) of small countries with situations of fragility in West Africa. SREs are expected to assess IFAD strategy, approaches and organizational set-up in countries sharing salient characteristics and generate recommendations and lessons for IFAD operations in that subregion. They are expected to have a strategic or thematic focus and cover organizational aspects. The list of countries to be included in this evaluation will be decided at the start of the evaluation in consultation with the regional division. The Programme Management Department (PMD) has expressed interest in this evaluation in light of the high prevalence of countries with fragile situations in West and Central Africa and hence the relevance of this theme for the department and IFAD as a whole.¹²
22. A project cluster evaluation (PCE) on rural enterprise development projects is proposed in 2021. This evaluation will cover IFAD projects working on the development of on and off-farm enterprises and may cover projects that share similar characteristics such as geographic region, similar stage of implementation

¹² The IFAD Strategy for Engagement in Countries with Fragile Situations was approved in 2016.

and linkages to value chains. The choice of the topic reflects the priority accorded by IFAD to rural transformation in its Strategic Framework 2016-2025 under strategic objective (SO) 2. PCEs can cover ongoing projects and generate findings and lessons that are of wider relevance than individual project evaluations.

23. As to responding to **learning needs**, IOE will work on CSPEs, which inform country strategies. In 2021, IOE will conclude the CSPEs in Pakistan and Burundi started in 2020. Five new CSPEs are planned, for Bolivia, Eswatini, Indonesia, Malawi and Uzbekistan.¹³ No CSPEs are foreseen in the West and Central Africa region in 2021, given that an SRE will be conducted there. In the future, IOE may undertake more than one CSPE in a regional division in a given year depending on new country strategic opportunities programmes (COSOPs) and demand from PMD regional divisions. CSPEs will be structured more strategically, with a new format and more selective application of evaluation criteria.
24. IOE will undertake a new evaluation synthesis report (ESR) on government performance in IFAD projects. This topic has been chosen in light of the findings in the Annual Report on the Results and Impact of IFAD Operations (ARRI) 2020, which show a decline in performance of IFAD projects on government performance. This is particularly important as the ARRI finds a high level of correlation between effectiveness, government performance and overall project achievement.
25. At the project level, IOE will continue to undertake PPEs, albeit in lesser numbers than in previous years. This is part of the rebalancing between project-level and more strategic evaluations, as recommended by the 2019 external peer review. IOE proposes to undertake four PPEs in 2021, which will be finalized towards the end of the year. This reduction also takes into account the surge in work needed on the evaluation manual, evaluation strategy and introduction of new products.
26. As to **consolidation of findings** on IFAD's portfolio performance and results, IOE will undertake the nineteenth edition of the ARRI in 2021. In the future, the ARRI may contain standard chapters (e.g. on the project portfolio performance and non-lending activities), as well as chapters that vary year by year and contain new analysis or synthesis of findings of more strategic evaluations. This will help better respond to organizational learning needs and provide more actionable evaluative lessons. Further reflection on the ARRI content, structure and methodology will be part of the revision of the evaluation manual.
27. Finally, in its support to **enhance the quality of self-evaluation**, IOE will undertake project completion report validations (PCRVs) on an ongoing basis. PCRVs are expected to become shorter, with a focus on criteria with disconnect between PMD's self-rating and IOE's rating. In the future, PCRVs may also be integrated with the Operational Results Management System to ensure that the results of IFAD's self-evaluations and independent evaluations are reported in an integrated manner. IOE will also interact with PMD on the revision of self-evaluation products and will be available for consultations on methodology.
28. The revision of the product range, with the introduction of new products and newer approaches adopted for existing evaluation products, requires IOE to draft a new evaluation methodology. IOE plans to start the drafting of a new evaluation manual in 2021. The methodology will account for the changes to existing products and introduction of new products. The endeavour will include consultations with the governing bodies, IFAD Management and international evaluation networks.
29. The proposed list of IOE evaluation activities for 2021 is shown in annex III and the indicative plan for 2022-2023 is presented in annex IV.

¹³ In the case of Bolivia, only an approach paper is expected for 2021.

V. 2021 resource envelope

A. Staff resources

30. IOE's staff requirements are based on a comprehensive annual strategic workforce planning exercise, which confirms that the office should be in a position to deliver all planned activities in a timely manner at the current staffing level.

Table 2
Staffing in 2020 and proposed staffing in 2021

Category	2020	2021 (proposed)
Professional staff		
Director	1	1
Deputy Director	1	1
Lead evaluation officers	3	3
Evaluation officers	7	6
Evaluation research analyst	2	2
Evaluation knowledge and communication officer	-	1
Subtotal professional staff	14	14
General service staff		
Administrative assistant	1	1
Assistant to Director	1	1
Assistant to Deputy Director	1	1
Evaluation assistants	3	3
Subtotal general service staff	6	6
Grand total	20	20

B. Budget requirements

31. The peer review's recommendations and their implementation will have implications for the product and process matrix and for the budget. In 2021, IOE will be undertaking new products such as SREs and PCEs. Resource requirements reported for these evaluations are based on best estimates by IOE. The actual level of resources required to undertake these new products in the future will only become clear towards the end of 2021.
32. The proposed budget is presented by type of activity or evaluation in table 3 and by divisional goals in table 4. IOE has simplified the budget presentation and reduced the number of annexes in line with the recommendations of the external peer review. Where applicable, the tables compare the relevant budget for 2021 with that of the previous year(s). Table 5 contains the IOE gender-sensitive budget, which identifies the budget distribution for gender-related activities.
33. **Assumptions.** The parameters used to develop the current proposed 2021 budget are the same as those used in 2020. They are as follows: (i) no increase in the salaries of professional and general service staff is anticipated for 2021; (ii) inflation will be absorbed to the greatest extent possible; and (iii) an exchange rate of US\$1=EUR 0.885. The parameters are subject to change once OSB provides IOE with the updated exchange rate and resultant change in standard staff costs.
34. **Budget by type of activity.** IOE will apply the same methodological rigour and internal preparation of its evaluation products without increasing the cost of the individual evaluations compared to 2020. IOE proposes to decrease the total number of PPEs from six in 2020 to four in 2021 and maintain the number of ESRs at one. IOE will also undertake five new CSPEs in 2021, the same number as in 2020. On the other hand, IOE will undertake one SRE and one PCE, both new

products to be introduced in 2021. In line with the recommendations of the external peer review, IOE intends to maintain some flexibility in its budgeting so that it can respond better to emerging organizational needs. To this end, IOE proposes to start with a buffer of US\$70,000 for unforeseen evaluation work as reflected in table 3 below.

Table 3
Proposed budget for 2021 by type of activity and comparison with previous budgets

Type of activity	Approved 2018 budget (US\$)	Approved 2019 budget (US\$)	Approved 2020 budget (US\$)	Absolute number 2020	Level of effort 2020	Proposed 2021 budget (US\$)	Absolute number 2021	Level of effort 2021
Non-staff costs								
ARRI	80 000	80 000	80 000	1	1	80 000	1	1
CLEs	430 000	430 000	100 000	2	1	210 000	2	1
TE	-	-	300 000	1	0.7	50 000	1	0.3
CSPEs	1 000 000	1 000 000	1 000 000	7	5.2	840 000	7	5
SREs	-	-	-	-	-	300 000	1	0.7
ESRs	110 000	55 000	55 000	1	1	60 000	1	0.5
PCEs	-	-	-	-	-	130 000	1	1
PPEs	320 000	320 000	240 000	6	6	160 000	4	4
PCRVs	30 000	30 000	45 000	30	30	50 000	35	35 ¹⁴
IEs	200 000	200 000	200 000	-	-	-	-	-
Evaluation manual	-	-	-	-	-	80 000	-	-
IOE multi-year strategy	-	-	-	-	-	10 000	-	-
Knowledge-sharing, communication, evaluation outreach and partnership activities	200 000	260 000	260 000	-	-	270 000	-	-
Evaluation capacity development (ECD), training and other costs	135 390	135 390	120 390	-	-	120 000	-	-
Buffer for unforeseen evaluation work	-	-	80 000	-	-	70 000	-	-
Total non-staff costs	2 505 390	2 510 390	2 480 390	-	-	2 430 000	-	-
Staff costs	3 307 259	3 473 221	3 388 338	-	-	3 388 338	-	-
Total	5 812 649	5 983 611	5 868 728	-	-	5 818 338	-	-
External peer review	100 000	200 000	-	-	-	-	-	-
Recruitment of IOE								
Director	-	-	137 000*	-	-	-	-	-
New Evaluation Policy	-	-	50 000	-	-	-	-	-
Total budget	5 912 649	6 183 611	6 055 728	-	-	5 818 338	-	-

* Estimate based on discussions with IFAD's Human Resources Division, assuming that a head-hunting agency will be employed.

35. **Cost drivers.** One of the fundamental cost drivers in 2021 will be the implementation of peer review recommendations, given the new products and processes being introduced and changes in methodology as a result. IOE's costs are largely determined by the number and kind of evaluations it undertakes in a given year.

36. **Budget by divisional goals.** Table 4 shows the allocation of the total IOE proposed budget for 2021, including both staff and non-staff costs, against IOE's divisional goals.¹⁵

¹⁴ This number is simply indicative of the number of project completion reports (PCRs) that IOE receives each year. The actual number of PCRVs undertaken may differ.

¹⁵ For 2021 IOE has revised its strategic goals/objectives.

Table 4
Proposed 2021 budget allocation by strategic objective

<i>Strategic goals</i>	<i>Budget</i>	<i>% of total budget</i>
Ensure credible and independent evidence to improve IFAD performance and partnerships at corporate, regional, country and project level	3 869 282	66.5
Contribute to enhanced evaluation dialogue within IFAD and at the global, regional and country level	677 603	11.6
Strengthen a culture of results and learning from evaluations within IFAD	1 271 453	21.9
Total	5 818 338	100

Note: percentages are rounded up.

37. **Gender-sensitive budget.** IOE's methodology for constructing a gender-sensitive budget entails determining the proportion of staff and non-staff costs devoted to analysing and reporting on gender issues in its evaluations. It is important to note that IOE has a dedicated criterion on gender equality and women's empowerment that is applied in all ARRIs, CSPEs, PPEs, PCRVs and IEs. The same criterion will be used in the new products, PCEs and SREs. Attention is also paid to gender issues in other evaluations such as CLEs and ESRs. Table 5 shows that 7.1 per cent of the total proposed IOE budget for 2021 is directly allocated to the examination of gender issues.

Table 5
IOE 2021 gender-sensitive budget

<i>Type of activity</i>	<i>Proposed 2021 budget</i>	<i>Gender component (percentage)</i>	<i>US\$</i>
Non-staff costs			
ARRI	80 000	10	8 000
CLEs	210 000	10	21 000
TE	50 000	10	5 000
CSPEs	8 40 000	10	84 000
SREs	300 000	10	30 000
ESRs	60 000	7	4 200
PCEs	130 000	7	9 100
PPEs	160 000	7	11 200
Evaluation manual	80 000	7	5 600
IOE multi-year strategy	10 000	5	500
PCRVs	50 000	5	2 500
Knowledge-sharing, communication, evaluation outreach and partnership activities	270 000	7	18 900
ECD, training and other costs	120 000	5	6 000
Buffer for unforeseen evaluation work	50 000	5	2 500
Total non-staff costs	2 430 000	8.6	210 200
Staff costs			
Gender focal point	161 400	20	32 280
Alternate gender focal point	105 700	10	10 570
All evaluation staff	3 247 400	5	162 370
Total staff costs	3 388 338	6	205 220
Total	5 818 338	7.1	415 420

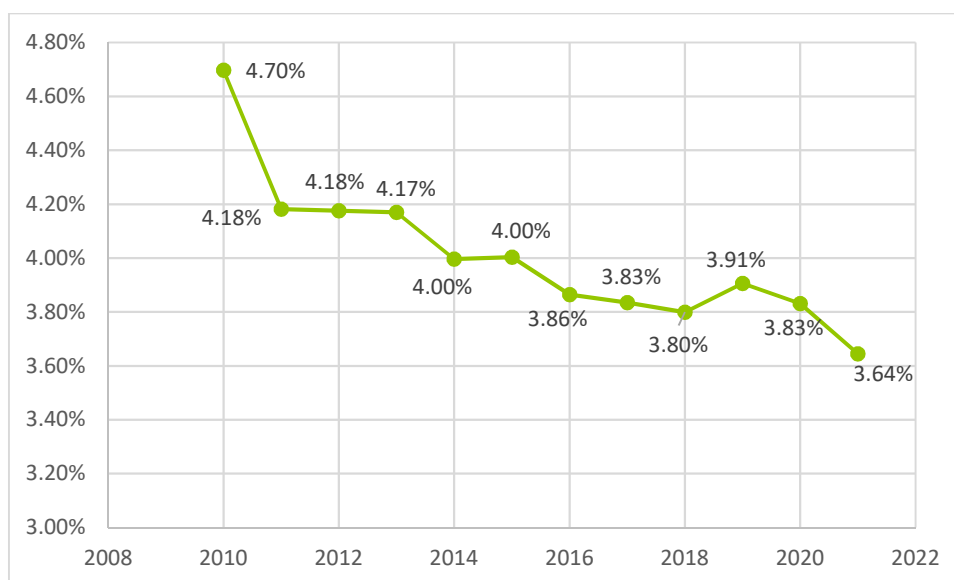
VI. IOE budget proposal and considerations for the future

38. **Current proposal.** The proposed 2021 budget totals US\$5.81 million. The proposed budget (which excludes below-the-line items) is US\$50,390 less than the approved budget for 2020, which was US\$5.86 million. The proposed budget for

2021 shows a nominal reduction of 0.85 per cent from IOE’s approved budget for 2020, driven by a small reduction in non-staff costs.

39. In 2021, IOE may benefit from a budget carry-over from 2020 in the percentage of carry-over authorized by the Executive Board for IFAD’s administrative budget for 2020.
40. **Streamlining processes and promoting efficiency.** IOE’s budget as a percentage of IFAD’s administrative budget has witnessed a consistent decline over the last decade (see figure 1). A similar trend is projected for 2021, with IOE’s budget expected to be 3.64 per cent of IFAD’s proposed administrative budget of US\$159.41 million. This decline has come about in spite of the increasing complexity of IFAD’s operations and resultant increase in complexity of evaluations in recent years. Over the years IOE has sought to streamline processes and products and absorb cost increases to the extent possible.

Figure 1
IOE budget as a percentage of IFAD regular administrative budget (2010-2021)



41. **Compliance with Executive Board mandated budget cap and future considerations.** IOE’s budget cap is fixed at 0.9 per cent of IFAD’s programme of loans and grants (PoLG). The projected PoLG for 2021 is US\$679 million. Thus, IOE’s proposed budget is 0.86 per cent of the PoLG, due to the fact that IFAD has front-loaded most of its PoLG for the Eleventh Replenishment of IFAD’s Resources (IFAD11) in the years 2019 and 2020. This trend may become more pronounced in the future as IFAD progressively moves towards larger projects and any uneven distribution of number of projects approved within a replenishment period may result in IOE breaching the budget cap in one or more of those years. If the sum of IOE budgets for the IFAD11 period (2019-2021) is considered over the total PoLG for the same period, the ratio would be 0.5 per cent, which is well below the cap set by the Executive Board.
42. In view of the practice of front-loading as described above, IOE proposes that, in any IFAD replenishment period, the ratio of 0.9 per cent be calculated on a three-year average of the PoLG.¹⁶

¹⁶ If, for example, the PoLG is US\$3.3 billion, the annual ratio of IOE budget would be computed on a denominator of US\$1.1 billion, which is the three-year average of the PoLG.

IOE Results Management Framework for 2021¹⁷

Table 1
IOE key performance indicators for 2021

<i>Divisional goals</i>	<i>Key performance indicators</i>	<i>Target (per year)</i>	<i>Means of verification</i>		
Goal 1: Ensure credible and independent evidence to improve IFAD performance and partnerships at corporate, regional, country and project level	1. Adoption rate of recommendations from CLEs, CSPEs, ESRs and PPEs	90%	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and IOE work programme and budget		
	2. Number of outreach products for all evaluations disseminated through social tools and the internet	60			
	3. Number of in-country learning events co-organized by IOE with governments	5 ¹⁸			
	4. Number of page views for IOE reports	55 000			
	5. Number of people receiving IOE newsletters	2 500			
	Goal 2: Contribute to enhanced evaluation dialogue within IFAD and at the global, regional and country level.	6. Number of evaluation events with participation of IOE staff		5	IOE records
		7. Piloting and introduction of new evaluation products		2	
		8. New evaluation manual		1	
		9. Staff sabbaticals and exchanges with evaluation offices of other United Nations agencies and international financial institutions		1	
		10. Number of ECD seminars/workshops organized in partner countries		1	
Goal 3. Strengthen a culture of results and learning from evaluations within IFAD	11. Number of events attended by IOE staff related to self-evaluation and ECD	3	IOE records		
	12. Budget cap	< 0.9% of IFAD PoLG			
	13. Ratio of professional to general service staff	1:0.46			
	14. Budget execution rate at year-end	97%			

¹⁷ These indicators may be revised in the future when the multi-year strategy is prepared.

¹⁸ Health situation and travel regulations permitting.

IOE's progress on targets for Results Management Framework of 2020

Table 1
Reporting on IOE key performance indicators (January to June 2020)¹⁹

Strategic objectives	Divisional management results (DMRs)	Key performance indicators	Achievements as of mid-June 2020	Target (2020)	Means of verification		
SO1: Generate evidence through independent evaluations of IFAD's performance and results to promote accountability	DMR 1: Corporate policies and processes are improved through independent evaluations	1. Adoption rate of recommendations from CLEs, CSPEs, ESRs and PPEs	N/A ²⁰	90%	PRISMA and IOE work programme and budget		
	DMR 2: Country strategies/COSOPs are enhanced through country-level evaluations						
	DMR 3: Systemic issues and knowledge gaps in IFAD are addressed						
	DMR 4: IFAD-supported operations are improved through independent project evaluations						
SO2: Promote evaluation-based learning and an enhanced results culture for better development effectiveness	DMR 5: The evaluation manual is implemented and new evaluation methods and products are piloted	2. Range of new methods and designs applied	2 ²¹	2	IOE evaluations		
		3. Evaluations with quantitative analysis	1 ²²	3	IEs and CSPEs		
	DMR 6: Awareness and knowledge of evaluation-based lessons and quality of products are enhanced and increased	4. Number of outreach products for all evaluations disseminated through social tools and the internet	107	70	IOE records		
		5. Number of in-country learning events co-organized by IOE with governments	3 ²³	5			
		6. Number of in-house and external knowledge events organized by IOE	2	5			
		7. Number of page views for IOE reports	25 680	55 000			
		8. Number of people receiving IOE newsletters	2 403	2 500			
		DMR 7: ECD in partner countries	9. Number of ECD seminars/workshops organized in partner countries	1		1	IOE records
			10. Number of events attended by IOE staff related to self-evaluation and ECD	4		3	
		SO1 and SO2	DMR 8: Efficiency of the independent evaluation function and liaison with governing bodies are ensured	11. Budget cap		0.54% of IFAD PoLG	< 0.9% of IFAD PoLG
12. Ratio of professional to general service staff	1:0.46			1:0.46			
13. Budget execution rate at year-end	75.86%			97% ²⁴			
14. Execution rate of key evaluation activities	50%			95%			

Note: Based on IOE's 2016-2018 Results Management Framework, the following reporting matrix provides an overview of IOE achievements as of June 2019 against key performance indicators as agreed upon with the Executive Board.

¹⁹ As at 25 June 2020.

²⁰ PRISMA 2020 has not been published as of June 2020.

²¹ GIS and remote missions through phone interviews.

²² In light of the outbreak of COVID-19, field visits are not foreseen for most evaluations. Thus, quantitative methods of data collection such as surveys are not possible. The IE scheduled to start in 2020 has been postponed. However, data collection for the IE in Ethiopia was completed before the travel restrictions were put in place.

²³ Remote CSPE national workshops took place in Madagascar and Sudan. A national workshop for Ecuador was held in February 2020 in Quito.

²⁴ This is the target set by IOE in 2019 for its 2020 budget. However, it is unlikely that it will be met in light of COVID-19 related disruptions. This is reflected in table 1 where it is indicated that, in the absence of mission travel, budget utilization is expected to be 90.3 per cent in 2020.

IOE proposed evaluation activities for 2021

Table 1
Proposed IOE work programme for 2021 by type of activity

<i>Type of work</i>	<i>Proposed activities for 2021</i>	<i>Start date</i>	<i>Expected finish date</i>
1. CLEs	Joint CLE with the evaluation offices of WFP and FAO on collaboration among RBAs	June-20	Dec-21
	Progress of IFAD's decentralization reform	June-21	Dec-22
2. TE	IFAD's contribution to smallholder adaptation to climate change	Jan-20	June-21
3. SREs	Small countries with situations of fragility in West Africa	Jan-21	March-22
	Burundi	May-20	May-21
4. CSPEs	Pakistan	May-20	May-21
	Bolivia	Sep-21	Sep-22
	Eswatini	Jan-21	Dec-21
	Indonesia	Jan-21	Dec-21
	Malawi	May-21	May-22
	Uzbekistan	Jan-21	Dec-21
	5. PCRVs	Validation of all PCRs available in the year	Jan-21
6. ESRs	Government performance	June-21	June-22
7. PPEs	Four PPEs	Jan-21	Dec-21
8. PCEs	Rural enterprise development projects	Jan-21	Dec-21
9. Engagement with governing bodies	Review of implementation of IOE's results-based work programme and budget for 2021 and preparation of results-based work programme and budget for 2022 and indicative plan for 2023-2024	Jan-21	Dec-21
	19 th ARRI	Jan-21	Sept-21
	IOE comments on the PRISMA	Jan-21	Sept-21
	IOE comments on the Report on IFAD's Development Effectiveness (RIDE)	Jan-21	Sept-21
	IOE comments on policies and strategies by IFAD Management	Jan-21	Dec-21
	Participation in Evaluation Committee, Executive Board and Governing Council sessions, selected Audit Committee meetings and the 2021 Board country visit	Jan-21	Dec-21
	IOE comments on COSOPs when related CSPEs are available	Jan-21	Dec-21

<i>Type of work</i>	<i>Proposed activities for 2021</i>	<i>Start date</i>	<i>Expected finish date</i>
10. Communication and knowledge management activities	Evaluation reports, <i>Profiles, Insights</i> , website, etc.	Jan-21	Dec-21
	Organization of in-country CSPE learning workshops and learning events in IFAD	Jan-21	Dec-21
	Participation and knowledge-sharing through selected external platforms such as learning events and meetings of evaluation groups	Jan-21	Dec-21
	Attendance at all Operational Strategy and Policy Guidance Committee meetings that discuss corporate policies, strategies, COSOPs and selected projects recently evaluated by IOE. Attendance at meetings of Operations Management Committee and IFAD Management Team	Jan-21	Dec-21
11. Partnerships	ECG, UNEG	Jan-21	Dec-21
	Contribution as external peer reviewer to evaluations by other multilateral and bilateral organizations as requested	Jan-21	Dec-21
12. Methodology	Drafting of new evaluation manual	Jan-21	March-22
13. Strategy	IOE multi-year strategy	Dec-20	Sept-21
14. ECD	Engagement in ECD in the context of regular evaluation processes	Jan-21	Dec-21
	Organization of workshops in partner countries (as per request) on evaluation methodologies and processes	Jan-21	Dec-21

IOE's indicative plan for 2022-2023

Table 1
IOE indicative plan for 2022-2023 by type of activity*

Type of work	Indicative plan for 2022-2023	Year
1. CLEs	Follow-up on IFAD's decentralization reform	2022 (carry-over)
	Follow-up on IFAD's efficiency	2023
2. TE	Gender equality	2022
	Options: (i) Nutrition and food security in IFAD operations; or (ii) IFAD's support to the private sector and non-sovereign operations; or (iii) IFAD's partnership and international visibility	2023
3. SRE	SRE in Near East, North Africa and Europe Division	2023
	Bolivia (carry-over)	2022
4. CSPEs	Malawi (carry-over)	2022
	Benin	2022
	India	2022
	Kyrgyzstan	2022
	Djibouti	2023
	Rwanda	2023
	Vietnam	2023
	Zambia	2023
5. ESRs/Synthesis note	Government performance (carry-over)	2022
	Rural Stimulus Facility /COVID-19 response	2022
6. PCEs	Rural finance projects	2022-2023
7. PCRVs	Validate all PCRs available in the year	2022-2023
8. PPE	About 4-5 PPEs per year	2022-2022

Type of work	Indicative plan for 2022-2023	Year
9. Engagement with governing bodies	20 th and 21 st ARRIs	2022-2023
	Review of implementation of results-based work programme and budget for and preparation of results-based work programme and budget for 2022, and indicative plan for 2023-2024	2022-2023
	IOE comments on the PRISMA	2022-2023
	IOE comments on the RIDE	2022-2023
	IOE comments on selected IFAD operational policies, strategies and processes prepared by IFAD Management for consideration by the Evaluation Committee	2022-2023
	Participation in all sessions of Evaluation Committee, Executive Board and Governing Council, and the annual country visit of the Board	2022-2023
	IOE comments on COSOPs when related country programme evaluations/CSPEs are available	2022-2023
10. Communication and knowledge management activities	Evaluation reports, <i>Profiles</i> , <i>Insights</i> , website, etc.	2022-2023
	Attend all Operational Strategy and Policy Guidance Committee meetings that discuss corporate policies and strategies, COSOPs and selected projects evaluated by IOE; attend meetings of Operations Management Committee, IFAD Management Team and selected country programme management teams	2022-2023
11. Partnership	ECG, UNEG	2022-2023
	Implement joint statement by FAO, IFAD and WFP to strengthen collaboration in evaluation	2022-2023
	Contribute as external peer reviewer to key evaluations by other multilateral and bilateral organizations as requested	2022-2023
12. ECD	Implement activities in partner countries related to ECD	2022-2023

* The topics and number of TEs, CLEs, CSPEs, PCEs, SREs and ESRs are tentative; actual priorities and numbers of activities to be undertaken in 2022 and 2023 will be confirmed or determined in 2021 and 2022, respectively.