

Document: EB 2021/132/R.14
Agenda: 10(c)
Date: 18 March 2021
Distribution: Restricted
Original: English

E



Update on Usage of the 2020 Carry-forward Funds

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

Dispatch of documentation:

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

Executive Board — 132nd Session
Rome, 19-21 April 2021

For: Review

I. Introduction

1. At its 131st session, the Executive Board approved an exceptional carry-forward of unutilized 2020 regular budget funds of up to 10 per cent (US\$15.79 million), and requested an update on the utilization of these funds at its sessions in April and September 2021.
2. The approved regular budget for 2020 amounted to US\$157.90 million. As at 2 February 2021, after completion of year-end closing activities, the final 2020 regular budget utilization is confirmed at US\$142.43 million. This represents a final execution rate of 90.20 per cent. The resulting 2020 carry-forward envelope therefore amounts to US\$15.47 million (9.80 per cent of the 2020 approved budget).
3. This paper provides an update on the level of unutilized funds that constitute the 2020 carry-forward budget and its utilization to date. At the end of February, US\$2.3 million had been committed. The main drivers of commitments so far are: (i) completion of key impact assessments and quality enhancement interventions – US\$1.1 million; (ii) staffing support and capacity-building for business continuity – US\$0.7 million; and (iii) mitigation of compliance lapses and enhancement of data, risk management and financial reporting – US\$0.2 million.
4. The following priorities will soon have commitments in place: (i) strategic initiatives; (ii) programmatic intervention; and (iii) IFAD Country Office (ICO) upgrades.

II. Context

5. During the budget preparation exercise, 63 per cent of the 2020 carry-forward resources (US\$9.9 million) was earmarked for COVID-related and strategic activities, while the remaining balance of 37 per cent (US\$5.9 million) was intended for upcoming strategic initiatives and for boosting acceleration of Decentralization 2.0. Due to the minor reduction of the overall carry-forward envelope after year-end closure (9.8 per cent instead of 10.0 per cent), the strategic reserve decreased to US\$5.6 million, broken down into US\$4.4 million for upcoming strategic initiatives and US\$1.2 million for establishing new ICOs under Decentralization 2.0. The Office of Strategic Budgeting processed the budget allocation for the earmarked US\$9.9 million portion on 8 February 2021.

Table 1
2020 budget utilization and carry-forward
(Millions of United States dollars)

2020 actual costs	142.4
2020 budget	157.9
Budget utilization	90.2%
<hr/>	
2020 unutilized budget	15.5
Carry-forward to divisions	9.9
Strategic reserve	5.6

III. Current situation

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

6. The COVID-19 pandemic continues to have a significant impact on IFAD's operations. For example, impact assessments in various countries have not been conducted and the significant disruption of smallholder farming activities in East and Southern Africa illustrates the effects of the global crisis. While IFAD has responded to the crisis by taking swift action to ensure that development outcomes are not compromised, project delivery and administrative support continue to face challenges.

7. The significant impact on travel activities has meant that supervision of IFAD projects often had to be conducted remotely. Catch-up activities are envisaged for 2021 to ensure that projects can be delivered successfully and appropriate on-site supervision can be provided. The carry-forward facility of 9.8 per cent of the unutilized 2020 budget was allocated to allow for the successful completion of the Eleventh Replenishment of IFAD's Resources (IFAD11), especially in response to programme threats in a post-COVID-19 landscape such as the risk of losing sustainable job opportunities for youth and women working on targeted value chains, which has required facilitating access to subsidized inputs such as e-voucher systems, secure and safe markets, and extension services.

B. 2020 carry-forward allocation

8. As at the end of February 2021, approximately US\$2.3 million has been committed (i.e. 21 per cent) out of the US\$9.9 million that had been allocated earlier in the year (see annex I for details).
9. The 2020 carry-forward is providing additional room to fund activities in response to the COVID-19 crisis and a large volume of departmental requests related to important and urgent deliverables. These include key design, supervision and implementation missions; multiple outreach and engagement missions that were deferred due to the pandemic; completion of impact assessments in Africa, Asia and Latin America; and the one-time costs of setting up new ICOs to extend the Fund's reach and regional presence.
10. Important strategic undertakings include the ongoing corporate adjustment to the COVID-19 situation (e.g. infrastructure upgrades, hybrid meeting rooms and health-related measures) as well as the adjustment of programme activities to the new circumstances. These encompass important enhancements to IFAD medical services and specific health programmes; cybersecurity and IT infrastructure upgrades; and adaptations to the "new normal" and specific programmatic quality reviews given the advent of virtual supervision missions.

IV. Update on utilization of carry-forward apportionments

11. The apportionment of the 2020 budget carry-forward was guided by the following principles:
 - (a) addressing COVID-19 related challenges;
 - (b) one-time expenditures with no or minimal future recurrent costs;
 - (c) strategic, operational and compliance focus;
 - (d) clear alignment with corporate priorities; and
 - (e) recommencing and accelerating progress on key delayed, deferred or cancelled activities.
12. As a result of the apportionment, three priority areas were identified: (a) strategic and urgent operational matters; (b) Decentralization 2.0; and (c) strategic reserve. Each of these areas has sub-items, in order to ensure the right investments are made in the right places and at the right time. This methodology also enables consistent and relevant reporting to Member States.
13. In light of the short time frame between carry-forward budget allocation and the submission of this update paper, IFAD is on track in terms of commitment of funds for the implementation of the foreseen activities.

A. Strategic and urgent operational matters

14. The following items were identified:

- (i) **Programmatic interventions (US\$1.4 million).** Specific programmatic interventions, additional missions and quality reviews are envisaged to supplement the more than 60 key design, supervision and implementation missions conducted remotely due to COVID-19 in 2020. Commitments under this item have not yet come into effect as travel restrictions are expected to be eased from Q2 2021 onwards. The funds allocated to this priority will be used to mitigate the risks posed to programme delivery; safeguard development outcomes; and enhance project design and implementation methodologies to adapt to the new way of operating and hybrid monitoring approaches. Quality reviews are needed as they play a major role in ensuring that these actions are achieved with minimum negative impact on the beneficiaries and that these gains are sustained in the long term. Funds are also being used to review non-sovereign operations and projects funded through the China-IFAD South-South and Triangular Cooperation Facility; advance agricultural digitization and youth employment; and report on innovations in the rural sector during the pandemic, extraordinary support provided to fragile countries and the African migratory locust invasion.
- (ii) **Corporate engagement and supplementary support services (US\$1.2 million).** Multiple outreach and engagement missions were deferred in 2020 due to COVID-19. Funds under this priority will address strategic engagements with stakeholders in key global events (e.g. the Food Systems Summit, Indigenous Peoples Forum and Farmers' Forum), targeted communication to donor and beneficiary communities, and outreach activities. Funds will also be used for one-time expertise for the establishment of new partnerships around innovative finance solutions and private sector engagement.
- (iii) **Staffing support and capacity-building for business continuity (US\$1.5 million).** Funds are directed at ICOs impacted by closure, to cover transitional temporary staffing across field offices and associated handover costs (including completing onboarding activities, training and events for recent new hires and revision of divisional planning). The investments in this priority will ensure that the expanded field presence can perform at the highest possible level; increase outreach to beneficiaries; and strengthen collaboration with local governments and partners on the ground.
- (iv) **Completion of key impact assessment and quality enhancement interventions (US\$1.4 million).** Funds will be devoted to impact assessment activities delayed due to COVID-19 (in Argentina, Malawi, Mozambique, Philippines, Republic of Moldova, Solomon Islands and Tunisia), and for deferred data collection and verification missions. Funds will also be used to identify and pilot alternative mechanisms for data collection under the current circumstances.
- (v) **Strategy, policy and knowledge management (US\$0.5 million).** Funds will be used to create, update and disseminate knowledge products around rural finance, rural markets, agroecology and costs for associated events and research; develop innovative strategies and policies for the post-COVID-19 context; prepare procedures to operationalize the new regular grants policy and other corporate operational policies and strategies as part of IFAD12. Funds will also support the implementation of the new financial architecture including work on debt capital markets with a potential private placement, following the approval of the Integrated Borrowing Framework in 2020.
- (vi) **COVID-19 risk mitigation activities (US\$0.9 million).** Funds will be used to enhance IFAD medical services and health programmes, complete cybersecurity infrastructure and training, and finalize work at headquarters

and in the ICOs to ensure safe and secure facilities and working environments (and developing supporting policies). Funds will also be used for more frequent sanitation and cleaning of IFAD offices, deeper cleaning of the air ventilation systems, and provision of antibacterial gel and personal protective equipment. Reinforcement of medical services is needed to provide IFAD staff with adequate support for their physical and mental health, in order to minimize the disruptions in the delivery of IFAD's mandate. Specialized doctors and counsellors are required to ensure the necessary level of services to IFAD staff during the ongoing pandemic. The pandemic has increased IFAD's reliance on virtual tools, giving rise to new cybersecurity threats. Half of the allocation dedicated to strengthening cybersecurity will be used to purchase software for secure remote connections, threat monitoring and automated incident response. The other half will be used to acquire specific external expertise on cybersecurity.

- (vii) **Mitigate compliance lapses and enhance data, risk management and financial reporting (US\$0.3 million).** Funds are needed to cover legal consultancy costs to address outstanding finance, operations and corporate policy matters; address backlogs due to COVID-19 delays in implementing the workplan of the Office of Audit and Oversight, and ensure compliance with ISO 20022 standards for electronic data exchange, which was not completed in 2020 due to the global pandemic. Funds will also be used to enable digital signatures and enhance business intelligence reporting, for example on debt due payment risk.

B. Decentralization 2.0

15. The following items were identified:

- (i) Extraordinary **reassignment, recruitment and relocation costs (US\$1.9 million).** Enhancement of knowledge building and exchange for field staff, and support for United Nations reform (e.g. implementation of the new United Nations Business Operations Strategy to leverage collective purchasing power and maximize economies of scale). One-time extraordinary costs from accelerated reform associated with establishing operational, technical and administrative human resource capacity in the field.
- (ii) **Upgrade of ICOs (US\$0.8 million).** Incremental costs, where applicable, to enhance capacity, security, technology, facilities and infrastructure in ICOs. This includes ensuring that offices are equipped with fit-for-purpose facilities and hybrid working modalities in light of lessons learned during the ongoing pandemic. The Decentralization 2.0 implementation plan is currently being finalized. The plan is a precondition for committing funds under this item.
- (iii) **Establishing new ICOs (US\$1.2 million).** One-time costs for setting up new ICOs to extend IFAD's reach and regional presence in order to strengthen impact through proximity to projects and beneficiaries.

C. Strategic reserve

16. The following item was identified:

- (i) **Upcoming strategic initiatives (US\$4.4 million).** Regular carry-forward (approximately up to 3 per cent of budget) earmarked for upcoming strategic initiatives. In 2020, this portion was used to navigate all aspects of the emerging COVID-19 crisis and for strategic projects such as GeoScan for evidence-based country strategy planning. Also under this priority area, in 2021, funds will cover costs related to opening a new Liaison Office in Japan and increasing office space in the field to accommodate the increase in the local workforce resulting from decentralization

2020 carry-forward provisional apportionments and progress update

(Millions of United States dollars)

	Priority	US\$ millions		
		Budget (10% carry-forward)	Allocation (9.8% carry-forward)	Commitment /expenditure
Strategic and urgent operational matters	Programmatic interventions	1.4	1.4	
	Corporate engagement and supplementary support services	1.2	1.2	0.3 ¹
	Staffing support and capacity-building for business continuity	1.5	1.5	0.7 ²
	Completion of key impact assessment and quality enhancement interventions	1.4	1.4	1.1 ³
	Strategy, policy and knowledge management	0.5	0.5	
	COVID-19 risk mitigation activities	0.9	0.9	
	Mitigate compliance lapses and enhance data, risk management and financial reporting	0.3	0.3	0.2 ⁴
Decentralization 2.0	Extraordinary reassignment, recruitment and relocation costs	1.9	1.9	
	Upgrade of ICOs	1.0	0.8	
	Establishing new ICOs	1.0	1.2	
Strategic reserve	Upcoming strategic initiatives	4.7	4.4	
		15.8	15.5	2.3 ⁵

¹ Includes the Food Systems Summit dialogues, policy engagement in Latin America and Indigenous Peoples Forum activities.

² Supervision and implementation support missions in Latin America and Asia, transitioning temporary staff in west and east Africa.

³ Backlog of impact assessments in Malawi, Mozambique, Philippines, Republic of Moldova, Solomon Islands and Tunisia.

⁴ Legal consultancy costs to support backlog of outstanding policy matters on corporate, financial and programmatic aspects due to COVID-19.

⁵ Amount for upcoming strategic initiatives not yet made available in the system.