

Document:	<u>EB 2021/134/C.R.P.1</u>
Agenda:	<u>4(a)(i)</u>
Date:	<u>14 December 2021</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Investing in rural people

Conference room paper

Revision of IFAD's 2022 Budget Proposal

Executive Board — 134th Session
Rome, 13-16 December 2021

For: Approval

Revision of IFAD's 2022 Budget Proposal

During the deliberations of the most recent AC and EB sessions, some Member States have expressed their concern about the proposed budget increase and asked IFAD management to provide more clarity about efficiencies achieved so far. Following these concerns, IFAD had presented a corrigendum to the original 2022 budget proposal which was comprised of deferrals around some planned D2.0 activities. The reductions therein amounted to US\$1.7m and a total revised budget of US\$167.7m.

After considering the revised budget proposal, there was heterogeneous response from Member States. On one hand, some Members expressed concerns that the revised proposal affected operational and programmatic delivery of activities. For them, D2.0 is a key driver of change and increased impact on the ground. On the other hand, some Member States mentioned that the proposed deferral of D2.0 activities does not represent real savings and would likely have an impact on the medium to long-term resource requirements.

Hence, Management is looking for further options to address these concerns and to facilitate reaching a consensus among all Member States. Therefore IFAD is hereby presenting additional proposals for a second revision of IFAD's 2022 results-based programme of work and regular and capital budgets.

1. IFAD management has carefully analyzed potential efficiencies which resulted in significant budget reductions, mainly in travel, consultancy and training costs, compared to 2021's approved budget.
2. These adjustments have already significantly increased the pressure on departmental work plans and capacity to deliver on IFAD12 targets and commitments agreed with member states.
3. A few member states have reiterated challenges faced in supporting the revised budget proposal, due to a variety reasons, such as national financial policies towards funding international organizations, reduced government budgets and increased burden of newly implemented recurrent costs in future budgets, to name a few.
4. The adjustments presented in this paper result in reductions of various budget items, based on strategic prioritization as well as consideration of the potential impact on the work plans for next year.
5. Dynamic Workforce Planning results are reduced from 43 net new positions to 39 positions. No positions related to programme delivery and technical assistance are affected.
6. The additional management adjustments are composed of reductions in both non-staff (US\$494,294) and staff costs (US\$277,600). None of the newly proposed adjustments would impact programme delivery.
7. The details of the revised budget proposal and expected implications are outlined below:
 - (i) IFAD's Global Communications and Public Advocacy approach aligns with its agenda for growth and describes how purposeful strategic communication will lead the way forward, ensuring success during the IFAD12 years and beyond. It is an outcome of the IFAD11 commitment, which calls for an update of IFAD's Communications Strategy and Action Plan. However, in an attempt to further reduce the budget proposal, IFAD management suggests to suspend ERG/COM plans to develop multilingual enhancements to IFADs corporate website, resulting in a reduction of \$234,594. This adjustment would defer the development and maintenance of a dynamic, external audience focused corporate multilingual website in Arabic, French and Spanish, impacting one

important element of the newly approved Communications Strategy. IFAD will endeavour to bridge this gap by other communication tools in place for regionally targeted advocacy including its enhanced field presence.

- (ii) The record numbers of documents being edited and translated for member states, as well as an increased number of governing bodies' meetings and events, puts an extra burden on the Office of the Secretary's resource needs. Despite those demands, one identified option has been to solely focus only on the essential and legally mandatory translations in all official languages for Member States. This would result in an adjustment of US\$100,000. Member States have called for the streamlining of the number of documents presented to governing bodies to better manage the work plan for GB meetings. As such it is expected that limiting translation to only core sessions will be supported by Member States. Translation remains a key cost driver and more flexibility in this regard will allow for some savings.
- (iii) Almost all of the ongoing reform initiatives comprise a human resources component, including recruitment and relocation in light of Decentralization 2.0 and Dynamic Workforce Planning outcomes. This results in an additional burden on already stretched in-house recruitment capacity, which would require additional support. Management has evaluated the possibility of limiting CSD/HRD's use of executive search firms and recruitment media, resulting in a reduction of \$100,000. This reduction would compromise some of the outreach to skilled and talented workforce to fill highly specialized job profiles, especially in light of Decentralization recruitment efforts. Management have analysed global recruitment trends and in the post COVID context it has become increasingly complex to recruit specialized talent and staff retention calls for innovative approaches. A reassessment of the use of executive search firms will not only produce some savings in the interim but also allow the exploration of other approaches that suit this new context as the implications become clearer.
- (iv) The newly approved Supplementary Resources Strategy, as well as the development and implementation of communication strategies, visibility and outreach plans, including video, speech writing and infographics, would require more resources in ERG/GPR/COM. However, one cost avoidance solution could be to slow down the planned work on the implementation of both the communications and supplementary resources strategies, resulting in a reduction of \$36,200. This adjustment would partially undermine the enhanced management, monitoring and reporting of diversified supplementary resources required. Resource mobilization is recognized as a continuous need in IFAD, not just during replenishment consultations. The impact may be less acute in 2022, the first year of IFAD12 but these activities will need to be revived in subsequent years in the IFAD12 period.
- (v) Another human resources component of the reform agenda is the upskilling and performance management of IFAD's workforce. Partial reductions for training in CSD/HRD would result in an adjustment of \$23,500. This would impact the capacity of the Talent Management Unit to offer divisional training and the executive coaching programmes for IFAD's management. It can also have an impact on staff morale and effectiveness of performance management activities.
- (vi) To support the implementation efforts on the global engagement strategy in key partnerships and the enhancement of IFAD's participation in SSTC activities – including delivery of the joint RBA SSTC work plan, two new positions were proposed. Refraining from these recruitments would result in a reduction of \$121,200. This would signify an increased risk of an adverse impact on planned external advocacy and resource mobilization, engagement with foundations and major List A donors.

- (vii) Moreover, one Senior Innovation Officer is also proposed to be postponed, resulting in a reduction of \$95,800. This adjustment would limit IFAD's capacity to increase efforts in innovation and communications partnerships, which is key to start increasing organizational global visibility by building pro-bono communications partnerships across various sectors (multilaterals/private sector/academic/media/others).
- (viii) In order to increase IFAD's capacity to ensure the business continuity and resiliency of its IT systems, one IT Security Analyst was proposed. In an attempt of further reducing staff costs in 2022, this position could be cut, resulting in a reduction of US\$60,600. This comes with a certain risk as a serious technological crisis - due to a failure of the system or of the hardware not adequately supported or interfaced - could lead to the interruption of business continuity with significant delays in the recovery of the business services. This is more important than ever under the pandemic context where every business workflow fully depends on technology.
- (ix) There are some implications of limiting the planned staffing complement and recruitment modalities geared at reducing the number of vacant positions across IFAD overall. This would particularly make it more challenge to mitigating risks from the current excess workload and addressing work life balance challenges. These have been exacerbated during the COVID-19 pandemic, and IFAD management continues to monitor closely this important dynamic.

The table below summarizes these additional proposed efficiencies to the 2022 Budget proposal:

Table 1 – Summary of proposed budget adjustments

Dynamic Workforce Planning: Reduction from 43 net new positions to 39 positions by postponing 4 positions to 2023	\$277,600
Limiting the use of executive search firms and recruitment media	\$100,000
Suspend plans to develop multilingual enhancements to IFADs corporate website	\$234,594
Partial reductions on the number of documents translated in all official languages for Member States	\$100,000
Changing the scope of the 2022 aspects of planned work on the implementation of both the communications and supplementary resources strategies	\$36,200
Partial reductions for training in Corporate Services and Human Resources	\$23,500
Total savings	\$771,894

8. Based on the above, IFAD management is proposing the following options:

- **Option A** would be to implement the adjustments outlined in table 1, amounting to US\$0.77m. In this option, the deferrals of D2.0 activities presented in the corrigendum would be reduced by the same amount so that the total budget reduction compared to the original budget proposal would result in US\$1.7m, which would represent a real growth of 3.74 per cent. The new budget proposal would amount to US\$167.7m.

The benefit of this option is a reduced impact of the proposed budget adjustments on the implementation of Decentralization 2.0 and therefore on programmatic delivery and operations. By reversing some of the reductions in the area of D2.0, the establishment and upgrade of CD and CPO-led offices in the West and Central Africa Region as well as the East and Southern Africa Region could progress as originally planned, which would help bringing IFAD staff on the ground quicker in those critical regions. On the negative side, the magnitude of reductions is still comparatively low, namely minus 1.01 per cent compared to the original budget proposal.

- **Option B** proposes the implementation of the adjustments outlined in table 1, amounting to US\$0.77m in addition to the previously presented corrigendum. The total budget reduction compared to the original budget proposal would result in US\$2.47m, which would represent a real growth of 3.22 per cent. The new budget proposal would amount to US\$166.93m.

The benefit of this option is a bigger reduction of the budget proposal. However, although the proposed reductions have been carefully selected to ensure minimum impact on the overall support of the delivery of IFAD programmes and operations, this option will most likely have negative implications in some areas such as outreach, visibility and D2.0.