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IFAD
Investing in rural people

Medium-term budget outlook 2023-2025

Note to Executive Board representatives

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Executive Board — 135th Session
Rome, 25-27 April 2022

For: **Review**

Contents

I. Responding to the call by Member States for revisions to IFAD's planning and resource allocation process

1. The Executive Board, at its 134th session, called for Management to revise IFAD's budget process. The revisions can be divided into three categories:

   (i) **Predictability and transparency:** The Executive Board called for a medium-term budget outlook, timely consultations, a comprehensive summary bringing together all budget line items and a strategic overview of the internal reform initiatives Decentralization 2.0 (D2.0) and the effects of implementing the recommendations of the McKinsey Human Resources Study, including details of actual and projected costs.

   (ii) **Strategy and results focus:** The Executive Board called for budget discussions to be based on a comprehensive understanding of the objectives of new strategies and policies and their associated costs.

   (iii) **Prioritization:** The Executive Board called for a structural review of priority setting for the organization, including areas to be prioritized and de-prioritized, given resource and staffing constraints.

2. The purpose of this paper is to provide the Executive Board with: (i) a medium-term budget outlook for the period 2023 to 2025; (ii) strategic overviews and actual and projected costs for D2.0 and the implementation of the McKinsey Human Resources Study; and (iii) an outline of IFAD's approach to address the calls for strategy, results focus and prioritization.

II. Predictable and transparent planning

3. During the 134th session of the Executive Board, IFAD committed to initiating a multi-year budget planning exercise at the April session of the Board in order to provide more predictability and transparency.

4. To inform the multi-year planning exercise, IFAD has reviewed cost drivers and new budget needs for internal reforms, and proposes three budget scenarios for consideration.

A. Three main cost drivers of IFAD's regular budget

5. An analysis and understanding of costs is essential to optimize resource allocation. IFAD has identified three main cost drivers for the organization in the future:

Changes in volume of programmatic delivery

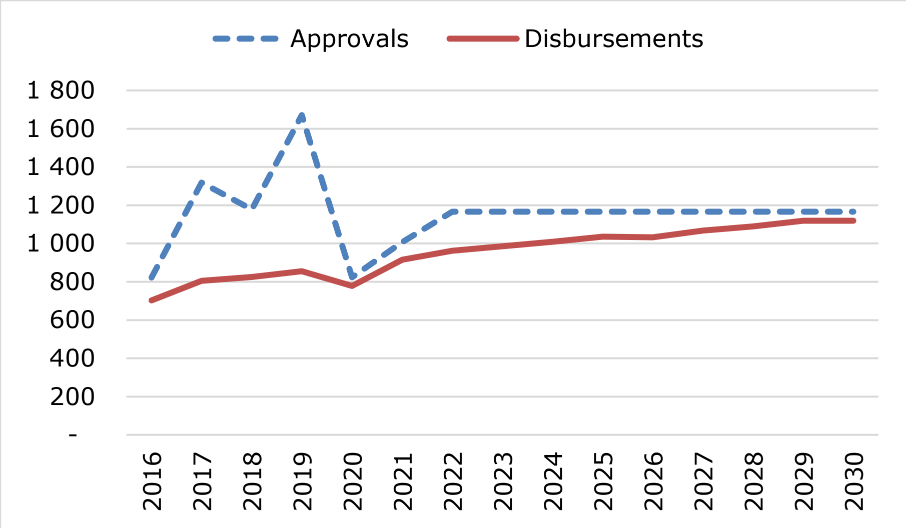
6. Approximately two thirds of IFAD's regular budget is used in direct support of programme delivery.[1] To assess future budget requirements, it is therefore important to review the actual and projected delivery of the programme of loans and grants (PoLG) and active project portfolio.

7. **Programme of loans and grants.** During the Tenth Replenishment of IFAD's Resources (IFAD10) and IFAD11 periods, PoLG approval rates peaked at approximately US$1.3 billion in 2017 and approximately US$1.7 billion in 2019. PoLG disbursements during the same period fluctuated around US$800 million annually, increasing to US$915 million[2] in 2021.

8. In the Resources Available for Commitment,[3] projected PoLG approvals remain flat at approximately US$1.2 billion from 2022 to 2030. For the same period, PoLG disbursements are projected to grow at approximately 1.9 per cent annually.

[1] EB 2021/134/R.7.
[2] EB 2021/134/R.17/Rev.1.
[3] EB 2021/134/R.17/Rev.1.

Figure 1
PoLG approvals and disbursements, actual and projected
(Millions of United States dollars)

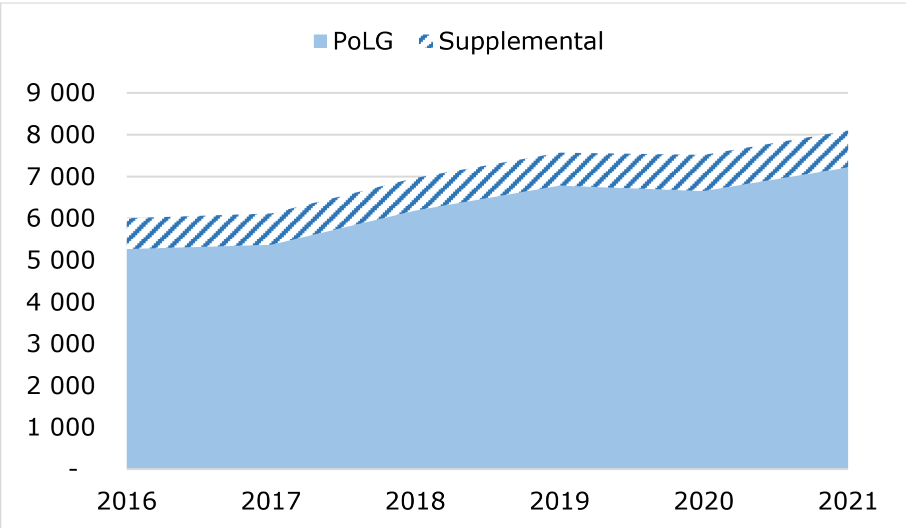


9. **Active project portfolio.** IFAD's portfolio of active projects grew by approximately 35 per cent from US$6 billion in 2016 to US$8.1 billion in 2021.

10. During the same period, the number of active projects increased from 205 to 215, accompanied by an increase in the average project size from US$29 million to US$38 million, which may reflect increased efficiency at the project level.

11. Supplementary funding remains important for IFAD to contribute to development results. Supplementary funding increased by 20 per cent from US$737 million in 2016 to US$883 million in 2021.

Figure 2
IFAD's active project portfolio
(Millions of United States dollars)



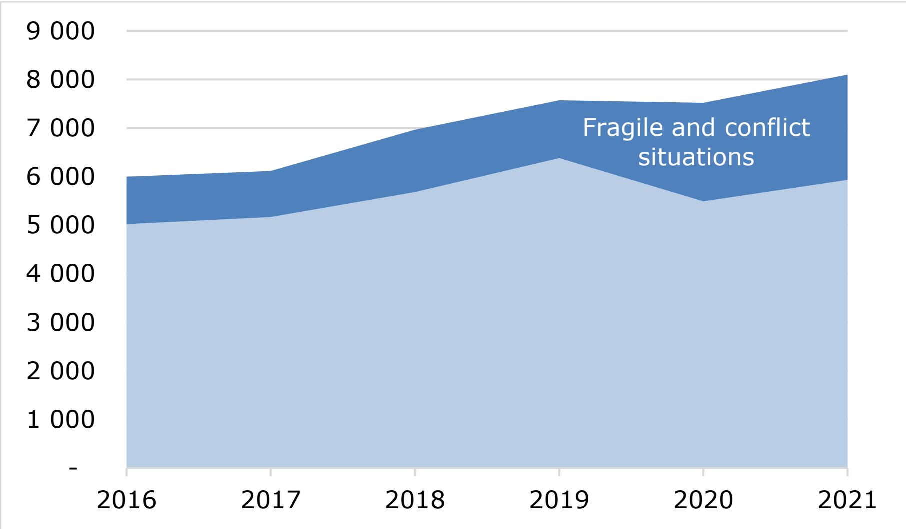
Increasing cost of doing business

12. The cost of doing business is also on the rise, driven in large part by increased support to, and presence in fragile and conflict-affected situations, in addition to the increased complexity of its hybrid financial model.

13. **Fragile and conflict situations.** Operations in fragile and conflict-affected situations are more complex and risky. The World Bank estimates that the cost of

putting staff on the ground in fragile and conflict-affected situations is on average 40 per cent higher, mainly due to assignment benefits, facilities and security needs. Between 2016 and 2021, the share of IFAD's active project portfolio in fragile and conflict-affected situations more than doubled, from US$979 million to US$2,169 million.

Figure 3
Share of IFAD's active project portfolio in fragile and conflict-affected situations
(Millions of United States dollars)



14. IFAD's presence in fragile and conflict-affected situations continues to increase, with 10 out of 22 countries being considered for IFAD Country Office (ICO) openings or upgrades identified as in such situations.[4]

15. **Hybrid financial model.** The increased complexity of IFAD's hybrid financial model and credit rating generate additional responsibilities for the organization's finance, legal and risk management functions.

Broadening of scope of IFAD's operations and activities

16. The 2021 corporate portfolio stocktake indicated that IFAD's active project portfolio consisted of projects delivered in 98 countries. Distribution by sector was as follows: 33 per cent of the active portfolio was in rural development, 22 per cent in credit and financial services, 21 per cent in agricultural development, 9 per cent in storage processing and marketing, 8 per cent in irrigation and the remainder in fisheries, research and training and livestock.

17. With regards to mainstreaming themes, between 2019 and 15 June 2021, IFAD approved 62 projects addressing climate change, 54 addressing youth, 42 addressing nutrition and 27 addressing gender.

18. For IFAD12, a commitment has been made to deepen IFAD's impact through a strengthened focus on mainstreaming climate and social inclusion themes, and hence increased delivery targets. Consequently, in delivering the PoLG for IFAD12, 40 per cent of financing will be directed to climate (25 per cent in IFAD11), 90 per cent of projects designed will be focused on improved adaptation and targeting, 35 per cent of projects will be gender transformative (25 per cent in IFAD11), 60 per cent of new designs will prioritize nutrition (previously 50 per cent) and young people; five projects will pilot the specific targeting of persons with disabilities, 10 projects will have indigenous peoples as the main target group and five projects will integrate information and communications technologies for development (ICT4D) or digital agricultural approaches. In addition, IFAD will put in place stronger safeguards through the Social, Environmental and Climate

[4] See annex: IFAD and decentralization – a short- and medium-term discussion.

Assessment Procedures (SECAP). The new commitments and targets are elaborated in the Report of the Consultation on the Twelfth Replenishment of IFAD's Resources.

19. Requests for additional activities for improving and broadening the scope of IFAD's portfolio, or other activities such as advocacy and promotion of development focus agendas, can generate positive short- and long-term results. But implementation can also generate significant one-off or recurring costs for the organization.

B. New budget needs for internal reform initiatives

20. IFAD has identified and is implementing two major internal reform initiatives: rightsizing the organization based on the McKinsey Human Resources Study and D2.0.

Implementation of the Human Resources Study to rightsize the organization

21. **Strategic overview.** The Human Resources Study outlines the future human capital requirements to deliver on IFAD's current and potential programme of work, considering fundamental internal and external changes and trends affecting the organization.

22. **Costs.** The projected additional, cumulative recurrent costs for rightsizing the organization will be approximately US$21 million by 2025.

Decentralization 2.0

23. **Strategic overview.** Increased and enhanced country presence will ensure that IFAD is closer to the clients it serves and to rural communities. D2.0 will help move IFAD to a field-based institution and contribute to placing 45 per cent of staff positions in the field. The first year of D2.0, 2021, was focused on finalizing design for implementation and making initial steps in Africa. The focus for 2022 is on establishing three regional offices, opening five new ICOs and upgrading seven existing ICOs.

24. **Costs.** Estimates for one-time and recurrent costs of D2.0 for the period 2022-2025 amount to US$9.9 million and US$7.0 million respectively. Historical decentralization one-time and recurrent costs associated with the period 2018-2021 are US$7.61 million and US$9.23 million.[5]

C. Medium-term budget outlook based on scenarios

IFAD has a track record of efficiency and prioritization

25. From 2016 to 2021, the approved regular budget for IFAD increased by approximately 1.7 per cent annually, which corresponds to the rate of inflation and zero real growth. This means that the increasing cost of doing business, broadening of the scope of operations and new activities have been funded mainly through efficiencies and prioritizations.

26. In 2022, the Executive Board approved a real increase in the regular budget to cover the costs associated with D2.0 and implementation of the McKinsey Human Resources Study.

Scenarios determine extent of further efficiencies and prioritization

27. To provide a medium-term budget outlook for 2023 to 2025, IFAD presents three scenarios for consultation with the Executive Board. Each scenario will affect IFAD's options for addressing the three identified cost drivers:

    (1) Zero per cent annual real growth;

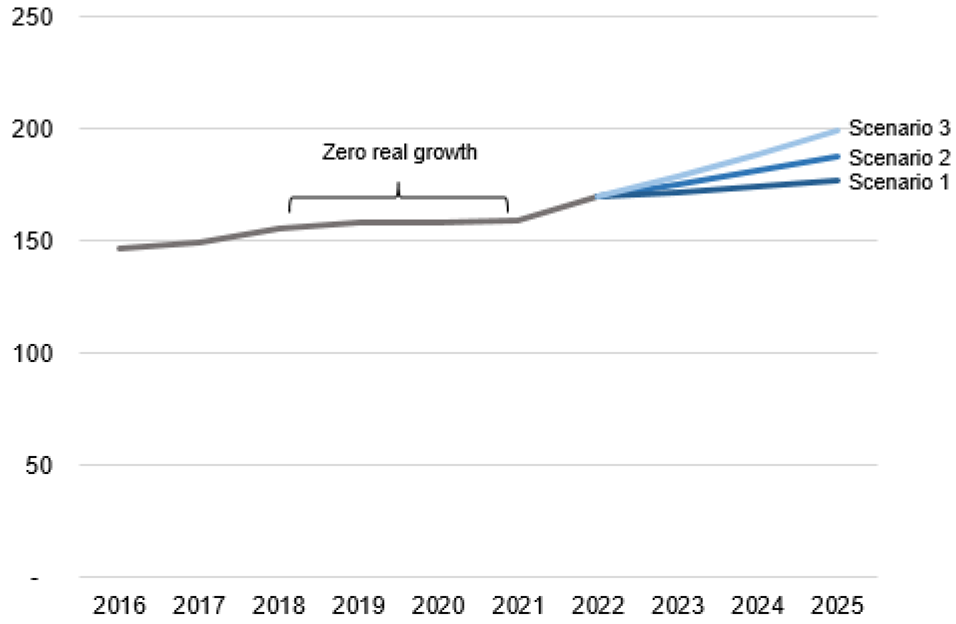
    (2) Two per cent annual real growth;

[5] For more information, please see annex: IFAD and decentralization – a short- and medium-term discussion.

(3) Four per cent annual real growth.

28. In nominal terms, at an annual inflation rate of 1 per cent, the 2025 regular budget would be US$177 million under scenario 1, US$188 million under scenario 2 and US$199 million under scenario 3, as illustrated in the graph below.[6]

Figure 4
Regular budget trend and three scenarios for 2023-2025
(Millions of United States dollars)



29. It is important to note that all three budget scenarios will require prioritization to varying degrees. The difference between the zero real annual growth scenario and the 4 per cent real annual growth for 2025 is US$22 million. The projected recurrent costs of D2.0 and implementation of the McKinsey Human Resources Study for 2025 is US$28 million. This points to a minimum need for prioritization of US$6 million. Cost increases beyond D2.0 and implementation of the McKinsey Human Resources Study will increase requirements for efficiency and prioritization, as will selection of a lower budget scenario.

III. Enhanced strategy and results focus

30. IFAD's strategy is framed by the vision, overarching goals and strategic objectives established in the Strategic Framework 2016-2025. Based on replenishment levels, the ambition is set for each funding cycle and measured through the indicators and targets in the associated results framework.

31. Beyond 2024, which is the end of the IFAD12 funding cycle, it has also been agreed that IFAD's ambition is to double its impact by 2030, while increasing efficiency and sustainability to enhance value for money. This means placing IFAD on a course to ensure that, by 2030, its investments increase the incomes of 40 million rural people annually.[7]

32. In response to the calls by Member States for budget discussions that are more strategy-driven and based on a comprehensive understanding of objectives, IFAD will further integrate the ambitions for the funding cycle and beyond into the annual budgeting process and internal management processes.

[6] In the graph, the budget for 2023 is established using the approved budget for 2022 as a baseline.
[7] GC 44/L.6/Rev.1.

A. Link resources to results

33. IFAD will include between 10 and 15 performance indicators and annual targets in the budget document. The indicators and targets will measure organizational health and programme delivery, as differentiated by the cost classification for direct and indirect costs. From 2023 onwards, the indicators and targets will be aligned to the three-year IFAD12 results framework and results reporting will be included in IFAD's annual report.

B. Cascade performance and accountability with internal target agreements

34. In line with good practice followed by other international financial institutions and United Nations entities, IFAD will introduce annual target agreements for departments and Associate Vice-Presidents (AVPs). The purpose of the target agreements is to drive individual accountability for results, collaboration and organizational alignment. The target agreement will contain up to seven mandatory performance indicators and targets from the budget document. The target agreement will also function as the individual annual performance objectives of the AVP and will be signed by the AVP, Vice-President and President, in the context of the annual budget process.

C. Monitor and adjust performance with internal quarterly reviews

35. To ensure that performance is on track and allow for adjustments where required, IFAD will conduct internal quarterly corporate performance reviews. The reviews will be based on actual and projected use of resources and performance against targets, as established through the annual budget process.

IV. Strategic prioritization

A. Examples of possible prioritizations

36. Prioritization may entail focusing limited resources on fewer processes, activities, focus areas and structures. IFAD has identified examples for possible prioritizations and grouped them into three categories:

Programmatic examples

- Consideration of further focusing programmatic scope and reducing the number of sectors supported
- Consideration of further focusing programmatic scope and reducing the number of mainstreaming themes supported
- Consideration of further focusing geographical scope and reducing the number of countries supported
- Consideration of seeking efficiencies by further increasing project size while reducing the number of projects under IFAD's supervision

Non-lending examples

- Consideration of reducing the number of advocacy engagements
- Consideration of reducing the number of inter-agency engagements
- Consideration of reducing production of knowledge products and toolkits

Organizational and corporate support examples

- Consideration of further automation and outsourcing of support and back-office services
- Consideration of reducing the number and length of documents shared with governing bodies

- Consideration of consolidation of organizational structures by reducing the number of departments and divisions

B. Development of clear options for prioritization

37. Informed by data and guided by consultations with Member States, IFAD will develop clear and costed options for prioritization to inform the discussion on how to close any funding gap. The options will be developed based on cost analysis and strategy.

38. With regard to cost analysis, the options will be based on a combination of the selected budget scenario for 2023-2025 and the potential cost reductions associated with the identified measures for prioritization.

39. With regard to strategy, an assessment will be made of how implementation of the options for prioritization will impact IFAD’s strategic ambition for 2030.

C. Maintain a maximum of three corporate reform initiatives

40. Lastly, IFAD will focus limited management attention and resources on a limited number of organization-wide internal reform initiatives, until they have been either concluded or mainstreamed into regular operations. The maximum number of such initiatives will be set at three. This will in no way hinder regular improvement initiatives planned and implemented under the purview and resources of departments.

41. At the time of writing, D2.0 and implementation of the McKinsey Human Resources Study are the organization’s two main internal reform initiatives.

IFAD and decentralization – a short- and medium-term discussion

A. Decentralization – what and how?

1. Decentralization at IFAD aims to ensure that the institution is able to deliver maximum impact by 2030. Increased and enhanced country presence will ensure that IFAD is closer to the clients it serves and to rural communities. Being closer will translate into IFAD staff being able to learn, rapidly adapt, anticipate and leverage tailored and evidence-informed local solutions for larger, transformational globally sustainable development outcomes (corporate-level evaluation on decentralization, 2016).

2. In 2011, the Executive Board approved the IFAD Country Presence Policy and Strategy. Two years later, the Board approved the IFAD Country Presence Strategy (2014-2015), which established a set of criteria and principles for opening new country offices (up to 50) using different models. Consequently, in 2017, Management commenced a comprehensive exercise entitled Operational Excellence for Results (OpEx) to implement the decentralization and related reforms and to begin embedding a culture of change and enhanced delivery at IFAD.

3. During the IFAD12 Consultation, IFAD committed to extending decentralization to 45 per cent (IFAD12 Results Management Framework [RMF12], target 3.6.2) as a measure to improve country-level delivery, while at the same time optimizing the efficiency ratio (RMF12, target 3.5.2). IFAD also committed to strengthening its technical expertise, to ensure that it remains a partner of choice for excellence in the domain of agriculture and rural development. Regional offices with the requisite level and grade of representation and integrated teams were seen as the best way to meet these commitments, as well as ensure that IFAD is sustainable, efficient and able to ensure critically required country support.

4. This paper lays out the process and learning so far on decentralization at IFAD, actions taken and the vision for the next three years. Section II shows the associated benefits of increased country presence. Section III provides details on the new D2.0 model, phased implementation and costs (past, present and future).

B. Decentralization so far at IFAD

5. IFAD project-level data show an association between IFAD's country presence, project performance and larger outreach. There is a strong relationship between countries with IFAD Country Offices (ICOs) and performance indicators including gender equality, sustainability and scaling up.[8] This association is stronger in fragile and conflict-affected situations, meaning that country presence is required and valued more in these contexts. The corporate-level evaluation (CLE) on decentralization (2016) points out that IFAD's increased country presence in the field has indeed contributed to better performance of country programmes, e.g. more relevant country strategic opportunities programmes (COSOPs), and stronger partnerships. Although the most important results were highlighted in terms of responsiveness and more agile project implementation, the CLE shows that decentralization efforts also help to step up IFAD's engagement and steer systemic changes. For example, the CLE highlights that ICOs, especially those led by country directors, "had opportunities to: (i) establish long-term engagement (building relationships, trust and understanding of local priorities and constraints) with national policy-makers; (ii) base suggestions for policy reform on good practices documented in knowledge products and grounded in project experience; and (iii) participate in sector working groups and engage with all relevant actors."

[8] Source: Operational Results Management System. IFAD completed projects from January 2003 to June 2021 with project completion reports disclosed. Analysis presented in document EB 2021/134/R.5 for Executive Board in December 2021.

6. There are indeed many other country-specific and time-invariant factors associated with overall project achievement and IFAD's country presence. Appendix I illustrates the correlation between the existence of an ICO and overall project achievement. Out of 33 countries included in the sample, 22 performed better after the establishment of an ICO. In countries with fragile and conflict-affected situations, close to 80 per cent performed better after an ICO was set up. Crucially, then, an increased country presence may be a necessary but not sufficient condition for better country programme performance and increased development impact.

7. This is consistent with the recent evaluation synthesis on government performance from the Independent Office of Evaluation of IFAD (IOE) (2022). The document highlights the benefits of an increased IFAD country presence, including: timely resolution of implementation issues, reduced time for IFAD's internal clearance processes, and continuous engagement with implementing agencies to address institutional fragility and under-performing issues. For countries in situations of fragility and political instability, it is recommended that IFAD enhance country-level engagement and presence. The evaluation underscores the importance of having senior staff in countries that IFAD serves, indicating that while country presence can be a contributing factor, it is not sufficient to explain good or weak government performance, and that "its traction for government performance also depends on the technical qualification and seniority of IFAD staff as well as other "soft" factors shaping the relationship with government partners".

8. In terms of outreach, data show that, on average, IFAD is able to reach two to six times more rural people for every US$1,000 dollars invested when there is an ICO than when there is not. The positive relationship is present for all sectors. This may be because of stronger in-country partnerships but also the greater ability to use local solutions, being more efficient and innovative during implementation while exploiting synergies with local systems, policies and opportunities. This clear empirical association forms the basis for the results framework presented in appendix III.

C. Decentralization – some considerations

The D2.0 model: an evolution from Operational Excellence for Results (OpEx)

9. The new D2.0 model responds specifically to lessons from OpEx, aiming at opening four regional offices with a critical mass to maximize the value of co-location and increasing the number of country director-led offices from 7 to 23 or 24. This supports the overall conclusion by OpEx that "in-country" is better than "near-to-country" for country programme support (i.e. supervision), policy engagement, partnership and cost-effectiveness.

10. The lessons from OpEx build on principles and knowledge already captured in IFAD's Country Presence Policy and Strategy (2011) and the IFAD Country Presence Strategy (2014-2015) and resonate very well with findings and insights from past and recent evaluations from IOE. The main expected benefits of the D2.0 model can be summarized as follows:

- **Increasing country director-led country presence (during D2.0 there will be four new country director-led offices and 12 offices will be upgraded):**
  - Improved responsiveness, better problem-solving, agility during implementation and more relevant country programmes.
  - The presence of a senior IFAD staff member as country director in the country enhances oversight and contributes to improvements in programme implementation.

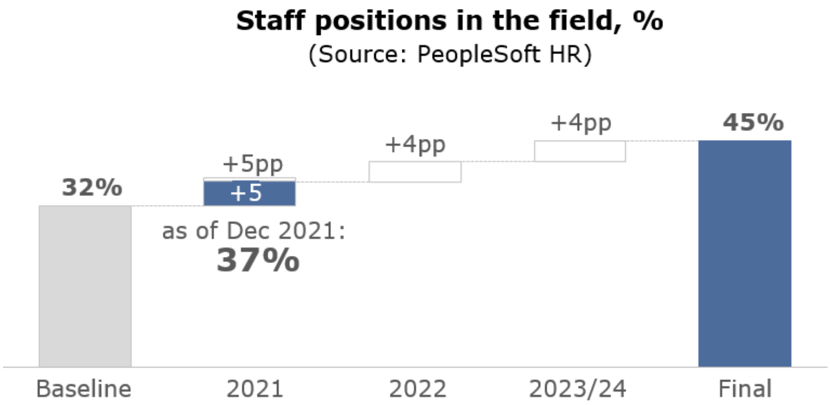
  - Country director-led offices perform better in terms of undertaking policy dialogue and expediting implementation immediately following project approval, especially in countries with larger programmes.
  - International staff often have a higher formal level of access to the government and the international community than national staff.
  - Improved perception within in-country development community that IFAD is a partner of choice when a country director in place. This leads to better policy engagement, partnerships and cofinancing.
- **Setting up regional offices led by a regional director:**
  - As underscored by the evaluation synthesis on government performance (IOE, 2022), increased country presence traction for government performance depends on the technical qualification and seniority of IFAD staff as well as other "soft" factors shaping the relationship with government partners. In that line, the regional director (head of the regional office) is expected to step up IFAD's regional engagement, leading and assembling efforts to support rural agricultural policy making in the region, participating in regional policy forums, forging regional partnerships and making IFAD's operations more visible to the development community.
  - Increased amount and quality of technical support (e.g. sectoral, financial) to all countries in the region.
  - Better and more efficient coordination, collaboration and teamwork with integrated teams (within and across departments).
  - Easy access to knowledge and substantive capacity to support country-level policy engagement and advisory activities.
  - Regional offices offer economies of scale. Regional offices allow IFAD staff to be present and close to the countries. An increase in the percentage of staff in the field to 45 per cent achieved through ICOs alone is far more costly than setting up regional offices.

Current processes and phases of implementation

11. During the IFAD12 cycle discussions, IFAD committed to reach 45 per cent of all staff to be based in the field (reflected in the IFAD12 Results Management Framework [RMF12], target 3.6.2). Following this, the first year of D2.0 (2021) was focused on finalizing the design (e.g. ICO and position maps, organigrams, budgeting) and taking some initial steps in Africa by setting up interim regional offices in East and Southern Africa (ESA) and West and Central Africa (WCA). Figure 1 shows that there has been a significant increase in the percentage of staff positions in the field (5 per cent), which is aligned with the initial forecast at beginning of 2021 and placed IFAD on track to meet the final target (45 per cent by 2024), through relocations from headquarters and increased field hiring.

12. The reform will be fully implemented in the next three years. However, sub-Saharan Africa regional offices and several ICOs are prioritized to be opened and upgraded in 2022 (four were upgraded in 2021). The set-up of the regional office in the Asia and the Pacific region (APR) is expected to occur in late 2022, but might be postponed to 2023 if the selection of the host country and location of the regional office premise is not finalized by the first quarter of 2022. The location of the regional office for Latin America and the Caribbean (LAC) will be determined in 2023, following a review of IFAD's comparative advantage, direction and future offer in the region. The current status and progress of the office establishment and enhancement process is presented in appendix VI, and further details on the activities related to the next phases of implementation for the years 2022-2024 can be found in appendix VII.

Figure 1
On track to becoming a field-based institution



13. Table 1 shows how IFAD's field and headquarters workforce are expected to change as a result of decentralization efforts. Considering IFAD's overall workforce by the end of 2020 (baseline of D2.0) and projected landing by 2024, as well as baseline (32 per cent) and final percentage of staff in the field (45 per cent), the number of net additional positions as a result of decentralization efforts during the 2021–2024 period (four years) will be 96.[9] All of these changes are already translating into structural rearrangements (e.g. new organigrams) of operational divisions, the Programme Management Department (PMD) and others. For instance, the Strategy and Knowledge Department (SKD), with new global positions in the field and relocations from headquarters to regional offices, will increase its percentage of staff in the field from 33 per cent in 2020 to almost 60 per cent in 2024.

[9] This does not include relocations from table 2, as these positions are not new but moved to the field.

Table 1
Changes in field and headquarters staff positions linked to decentralization, by 2024

Type	*Description*	*Number*
In the field		
D2.0 new field positions	These positions will be created exclusively as a result of D2.0, including the PMD country teams in new or upgraded ICOs, the PMD data analysts in the regional office, the regional corporate services manager and security officers, and the administrative pool to be based in regional offices. Includes replacing the front offices of four regional divisions and General Service (GS) positions from SKD at headquarters with field positions.	66
Relocations from headquarters to the field	Relocation from headquarters to the field of the PMD regional teams in full as well as staff from SKD and other departments.	31
New field positions	These are positions that are part of IFAD's structural workforce growth and would have existed independently of D2.0, either in the field or at headquarters. Many of these positions in the field were already recruited in 2021.	63
In headquarters		
Restructuring of liaison function	Abolishment of 13 programme liaison associate positions and creation of four regional liaison associates (one for each region).	-9
Front offices	Abolishment of GS positions in the front offices of PMD and SKD.	-20

Costs

14. D2.0 is not cost-neutral. As shown in table 2, estimates for one-time and recurrent costs (net of savings) amount to US$11.0 million and US$6.6 million, respectively. The estimated overall recurrent costs are equivalent to an increase of 4 per cent in the current IFAD regular budget. Setting up and running regional office facilities and ICOs will account for more than two thirds of the one-time costs and virtually all of recurrent costs.

Table 2
D2.0 one-time and recurrent costs, by year and key items
(Millions of United States dollars)

	Expected phasing					
	Total	*2021*	*2022*	*2023*	*2024*	*2025*
One-time costs						
Regional offices set-up (includes interim arrangements)	3.47	0.58	2.28	0.61	-	-
Upgrading and establishment of ICOs	4.00	0.02	1.92	0.83	1.23	-
Staff relocation	2.33	0.17	1.28	0.56	0.32	-
D2.0 project support*	1.19	0.29	0.47	0.44	-	-
Total one-time costs	**10.99**	**1.06**	**5.95**	**2.44**	**1.55**	**-**
Recurrent costs	(steady state)					
Regional offices facilities running costs	3.15	0.05	1.40	2.51	3.15	3.15
Regional offices staff	(0.60)	-	(0.03)	0.18	(0.07)	(0.60)
ICO facilities running costs	2.28	0.06	1.21	1.69	1.89	2.28
ICOs staff	1.05	-	0.36	0.59	0.83	1.05
United Nations costs	0.76	-	-	0.25	0.51	0.76
Total recurrent costs	**6.64**	**0.11**	**2.93**	**5.23**	**6.31**	**6.64**

*Includes the D2.0 project manager, six full-time consultants to support enabling divisions (Field Support Unit, Human Resources Division and PMD front office), and temporary administrative pool support.

15. Table 3 presents the facility and staffing unit costs for opening an ICO led by a country director or country programme officer, and for upgrading an ICO. ICO costs in countries with fragile and conflict-affected situations, particularly the latter, are inherently higher than the average (see table 4). The greatest opportunities and challenges, and hence a significant portion of investments, are found in these countries.

16. Table 3 also shows that country director-led offices have higher costs (facility and staff). However, the costs of country programme officer-led offices do not show the costs of additional support to country directors that will be required with additional countries and the additional non-monetary costs of having relatively junior positions in countries that are typically served by fairly senior grade staff of other institutions.

Table 3
Typical ICOs facility and staffing unit costs, by type of office
(Thousands of United States dollars)

	New country director (CD)-led	*New country programme officer (CPO)-led*	*Upgraded CD-led*
Facility costs			
One-time costs	294	269	124
Recurrent costs	167	87	97
Staff costs			
One-time costs	40	-	40
Recurrent costs*	85	86	31

* Given that under D2.0 the net number of additional CDs is zero, costs for CDs are not included in this summary table (if they were, the staffing costs of a new CD-led office would be significantly higher than CPO-led). For reference, the average cost of a P-4 CD is US$191,600 and of a P-5 CD is US$227,400.

Table 4
Average incremental costs for new/upgraded D2.0 ICOs, by conflict type
(Thousands of United States dollars)

	Not fragile and conflict-affected situations		***High intensity conflict***	
	New CPO-led	*New CD-led*	*New CPO-led*	*New CD-led*
One-time costs	220	220	443	443
Recurrent costs	148	256	161	328

17. Although D2.0 is not cost-neutral, IFAD continually seeks out opportunities for savings and cost avoidance (see table 5 below).

Table 5
Costs avoidance and savings expected under D2.0

Item	Costs savings or avoidance	Detail
Moving PMD front offices and SKD GS positions from Rome to the field	US$1.3 million, reflected in recurring costs (savings) of D2.0	Includes moving the front offices of four regional divisions and some GS positions from the SKD department to the field. Although the objective is to ensure business continuity and strengthen support to Professional staff, this would translate into significant savings (US$1.3 million) as shown in the D2.0 cost estimates (see appendix IX).
Restructuring liaison function in headquarters	US$0.77 million, reflected in recurring costs (savings) of D2.0.	Phasing out of 13 programme liaison associates positions. Functions will be absorbed by new regional liaison team at headquarters, data analysts and country programme assistants in the field.
Rent-free accommodations in regional offices (ROs) and ICOs	US$0.5 million of one-time costs avoided US$0.4 million of recurring costs avoided US$0.18 million of recurring costs avoided for two years	• Rent-free building already agreed for WCA RO long-term premise (recurrent costs avoided estimated at US$500,000). • Selection of United Nations Office at Nairobi as RO in ESA vis-à-vis a private option reduced recurrent costs estimates by US$400,000. • In addition, the Government of Kenya agreed to an annual rent subsidy of US$180,000 for the RO for a period of two years (2023-2024). • Ongoing discussions for rent-free accommodations in ICOs.
Business Operations Strategy (BOS), and Common Back Offices (CBOs)	US$0.79 million of costs avoided from 2021 onwards	• All IFAD ICOs are benefiting from six pooled business services: common administration services, human resources services, procurement services, logistics services, finance services, and information and communications technology services. Estimated costs avoided for IFAD from 2020 onwards are US$790,000. • Active CBOs in the following countries where IFAD has offices: Brazil, Cambodia, Ethiopia, Ghana, Kenya, Sudan, the United Republic of Tanzania and Viet Nam.
Common Premises (CP), including Rome-based agencies	Costs avoided to be determined	Of the 40 ICOs (current map): • 14 IFAD offices are hosted by the United Nations Development Programme • 12 IFAD offices are hosted by the Food and Agriculture Organization of the United Nations or the World Food Programme Nine IFAD offices are hosted by other government or international institutions

18. Historical one-time and recurrent costs associated with OpEx are presented in table 6. D2.0 one-time and non-staff recurrent costs are higher than those of OpEx. This is clearly driven by costs associated with setting up four large regional offices and expanding and deepening IFAD’s country presence significantly with a 50 ICO map. D2.0 projected staff recurrent costs, however, are significantly lower than those shown for the period 2018–2021. This is explained by the following: (i) as opposed to OpEx, under D2.0 there is a major restructuring of operational front offices, generating a substantial cost reduction that nearly offsets the creation of

positions in ICOs and front offices of regional offices; and (ii) D2.0 staffing costs take into account only positions created in the field or at headquarters as a result of the new field-based operational model.

Table 6
Incremental decentralization costs 2018-2021 (OpEx and IFAD11)
(Millions of United States dollars)

	Expected phasing				
	Total	*2018*	*2019*	*2020*	*2021**
One-time costs	**6.55**	**3.00**	**2.05**	**1.50**	**-**
Recurrent costs	**9.23**	**0.37**	**5.48**	**5.62**	**9.23**
Staff	5.89	0.22	2.78	2.46	5.89
Non-staff	3.35	0.15	2.70	3.16	3.35

*This does not refer to D2.0 costs in 2021.

D. Conclusion

19. **D2.0 would help IFAD to capture the "country presence dividend"**, especially in countries with fragile and conflict-affected situations. Data shows that an increased country presence is associated with better project performance and more efficient outreach. The CLE on decentralization conducted by IOE in 2016 points out that IFAD's increased country presence in the field has indeed contributed to better performance by country programmes, e.g. more relevant COSOPs, including non-lending activities and, especially, partnership-building. Although the most important results were highlighted in terms of responsiveness for more agile project implementation, decentralization efforts are intended to step up IFAD's engagement and steer systemic changes.

20. **D2.0 is an evolution from OpEx** and responds to lessons learned by building critical mass and maximizing the value of co-location in regional offices and being "in-country" rather than "near-to-country" by significantly increasing the number of country director-led offices. A metrics-based approach has been followed to prioritize where to open and/or upgrade an office. All but one of the D2.0 ICOs will be in low-income countries or lower-middle-income countries, 68 per cent of the countries in sub-Saharan Africa and 45 per cent in countries with fragile or conflict-affected situations (for further detail, see appendix IV). This is consistent with IFAD12 targets focusing core resources on the poorest countries, with 50 per cent in sub-Saharan and 25 per cent on countries with fragile or conflict-affected countries.

21. **D2.0 implementation follows a phased approach**. The reform started in 2021 (focused on design) and will be fully rolled out in the next three years. First regional offices and D2.0-impacted ICOs have been prioritized in WCA and ESA. The regional office in APR is expected to start set-up in 2022. Important lessons will be drawn in 2022, to be applied to the LAC model and course correct in Africa and Asia. In terms of staffing, D2.0 will secure the recruitment of new positions and relocation of existing positions (through the established institutional process to minimize staff disruption) as well as through the upskilling for operational excellence programme for the new model to be operational. The remaining positions to be based in the field will be part of IFAD's structural workforce growth in the field as part of the dynamic workforce planning (DWP) process.

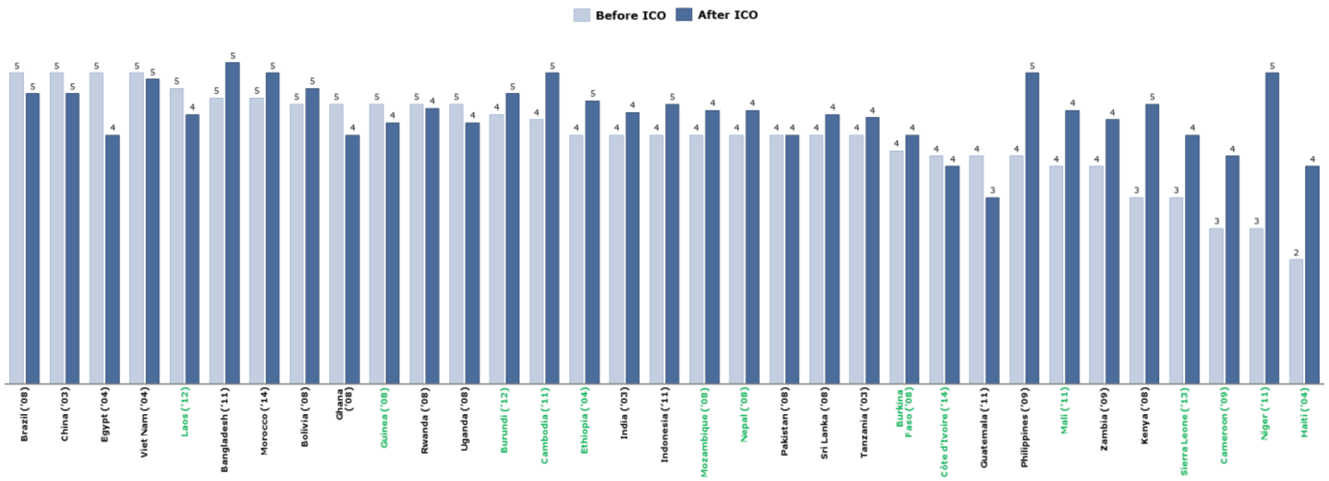
22. **D2.0 is not cost-neutral**. Estimates for steady-state one-time and recurrent costs (net of savings) amount to US$11.0 million and US$6.6 million, respectively. Setting up and running the regional office facilities and ICOs will account for more than two thirds of one-time costs and virtually all of recurrent costs. Although D2.0 is not cost-neutral, IFAD has already identified and will continue to seek

opportunities for savings or costs avoidance, including moving front offices to the field, restructuring headquarters, securing rent-free accommodations and being active in the United Nations efficiency reform (BOS, CBO and CP).

23. **D2.0 is integrated with and benefits from other ongoing reforms** (see appendix X). Close coordination is in place with the DWP to reflect D2.0 staffing needs and likely impacts at headquarters. The delegation of authority table will have to be revised and systems updated according to the new ICO map and heads of unit. D2.0 will leverage the technology solutions, efficiency gains and increased risk management from the People, Processes and Technology Plan ending in 2022. Finally, the smart budgeting process will facilitate more predictable budget allocation and improved planning for D2.0.

Country dividend – ICO and overall project achievement

Overall project achievement and country presence in time



Source: ORMS (as of 12 October 2021).
33 countries (out of which 14 are fragile – highlighted in green). Fragile when at least one year considered country with FCS from the World Bank's harmonized list.
() refers to year of establishment
Completed projects from 2003 to June 2021 with PCR disclosed. With ICOs – 78 observations & without ICOs - 164. Total: 242

Country dividend - outreach per US$1000 invested

Country presence and outreach per US$1000 invested

Sectors	*With ICO*		*Without ICO*	
	People per US$ 1000 *(IFAD financing)*	People per US$ 1000 *(Total financing)*	People per US$ 1000 *(IFAD financing)*	People per US$ 1000 *(Total financing)*
Agricultural Development	16.49	7.63	5.15	1.91
Credit and Financial Services	43.16	15.57	7.69	2.60
Rural Development	43.49	18.42	8.54	3.16
Irrigation	19.61	7.99	11.41	3.72
Storage, processing and marketing	64.87	29.93	13.15	7.36
Overall	**31.22**	**12.06**	**9.32**	**3.79**

Source: ORMS (as of 28 January 2022).
IFAD – Completed projects from 2017 to 2021 with PCR disclosed. Total sample – 93 (RUFIP II in Ethiopia is considered outlier and kept out of the sample. Results are not affected)

Results framework[10]

Results hierarchy	*Description*	*Indicator*	*Source*	*Baseline[11] (end-2020)*	*Target (end-2024)*
Impact	Income, production, market access, resilience and nutrition of rural small-scale producers is improved.	Number of people with increased income (millions) (SDGs 2.3 and 1.2) (RMF 2.1.1)	IFAD Impact Assessment	44	68
		Number of people with improved production (millions) (SDG 2.3.2) (RMF 2.1.2)	IFAD Impact Assessment	47	51
		Number of people with improved market access (millions) (SDG 2.3) (RMF 2.1.3)	IFAD Impact Assessment	46	55
		Number of people with greater resilience (millions) (SDG 1.5) (RMF 2.1.4)	IFAD Impact Assessment	24	28
		Number of people with improved nutrition (millions) (SDG 2.1) (RMF 2.1.5)	IFAD Impact Assessment	12	11
Final outcome	Increased proximity and adaptability contribute to increased outreach and more relevant and better country programs, especially in countries with fragile and conflict-affected situations.	Number of persons receiving services promoted or supported by the project (millions) (RMF 2.2.1)	COI	120	127
		Overall project achievement (ratings 4 and above), % (RMF 2.3.1)	PCR ratings	90	90
		Sustainability of benefits (ratings 4 and above), % (RMF 2.3.5)	PCR ratings	85	85
		Scaling up (ratings 4 and above), % (RMF 2.3.6)	PCR ratings	95	95
		Efficiency (ratings 4 and above), % (RMF 2.3.4)	PCR ratings	80	80
		Government performance (ratings 4 and above), % (RMF 2.3.2)	PCR ratings	80	80
		Relevance of IFAD country strategies (ratings 4 and above), % (RMF 3.1.1)	Stakeholder survey	90	90
		Country-level policy engagement (ratings of 4 and above), % (RMF 3.1.4)	Stakeholder survey	90	90

[10] The additional contribution of decentralization to outcome and impact level indicators will not be necessarily measured yet those are still a critical part of the results framework to strengthen the narrative towards development outcomes.
[11] Some baseline values refer to end of 2021 (IFAD11) or 2019 as per data available.

Results hierarchy	*Description*	*Indicator*	*Source*	*Baseline*[11] *(end-2020)*	*Target (end-2024)*
Immediate outcomes	Integrated teams adapt faster and smarter to clients needs	Proactivity index, % (RMF 3.3.3)	Corporate databases	55	70
		Time from EB to 1st disbursement, months	Corporate databases	15.3	12
		PAR SIS missions with PDT complete, %	Corporate databases	37	TBD
	Increased policy engagement, partnerships and cofinancing	Cofinancing ratio (RMF 3.4.3)	GRIPS	1:1.4	1:1.5
		Multi-stakeholder platforms supported, number (Policy 2)	COI	134	TBD
Outputs	New ICO and position map implemented	Staff positions decentralized, % (RMF 3.6.1)	PeopleSoft HR	32	45
		Number of ICOs properly staffed, including regional offices, multi-country offices, CD-led and CPO-led offices	Corporate databases	40	50
	Staff and offices are well equipped to deliver programme of work	Field staff and offices well equipped (ratings 4+), % (RMF 3.6.2)	ICO Survey	TBD	80
	Empowered frontline for decision-making, increased accountability and efficient operations	PMD budget expenditures approved at CD-level, %	Corporate databases	TBD	TBD
		Design missions unit costs, US$ '000	Corporate databases	TBD	150
		SIS missions unit costs, US$ '000	Corporate databases	TBD	40
Activities	D2.0 activities are grouped into three workstreams: • **Infrastructure**: ICO metrics analysis, office set and enhancements for new and upgraded ICOs (including regional offices), HCA and accreditations. It includes also reviewing HQ structure and DoA. • **People**: staffing criteria, job profiling, recruitment, reassignments, relocations, upskilling program and GS transition. • **Change**: delivery routines (e.g., D2.0 Implementation Group), reporting tools and communications for increased feedback loops staff engagement.	Key performance indicators are continuously tracked in D2.0 Steering Committee with Executive Sponsors and implementation leads.	N/A		

ICOs and metrics

The Operational Excellence for Results (OpEx), implemented during the period 2017-2020, resulted in a new ICO map with 40 country offices, shown in the following table, summarizing IFAD's regional presence under OpEx. The emphasis during that period was on strengthening existing offices with clear staffing metrics. IFAD also set up 12 hubs and three South-South and Triangular Cooperation (SSTC) centres. The location hubs or SSTC centres was established based on visibility, partnership building, knowledge management, regional policy fora, regional economic importance and travel connectivity. During this period, the percentage of staff in the field increased from 18% to 32% and the delegation of authority framework was revised, building the foundations for further decentralization.

IFAD regional presence under OpEx (2017-20)

Region	Hubs or SSTC centres (15)	CD-led (7)	CPO-led (18)
West and Central Africa (WCA)	Cameroon, Côte d'Ivoire and Senegal	DRC, Ghana and Nigeria	Burkina Faso, Guinea Mali, Niger and Sierra Leone
East and Southern Africa (ESA)	Ethiopia, Kenya and South Africa		Burundi, Madagascar, Mozambique, Rwanda, Tanzania, Uganda and Zambia
Asia and The Pacific (APR)	China, India, Indonesia and Vietnam	Bangladesh and Philippines	Cambodia, Nepal, and Pakistan
Near East, North Africa and Europe (NEN)	Egypt and Turkey	Sudan	Morocco
Latin American and the Caribbean (LAC)	Brazil, Peru, Panama	Bolivia	Guatemala and Haiti

In 2021, building on OpEx's decentralized map, a metrics-based approach was followed to obtain a ranked assessment of prioritized locations for opening and / or upgrading an ICO under D2.0. The first step of the exercise consisted in determining three factors (or multipliers) for each country IFAD has an active portfolio in, capturing hunger / poverty gaps, complexity and assessed future business. The poverty / hunger factor was calculated using extreme poverty and undernourishment data (both headcount and rate); the complexity factor captured fragility and quality of governance; and the future business factor captured IFAD11 PBAS and its % increase from IFAD10 (thus capturing an increasing, decreasing or flat trend), to establish assessed future in-country activity. After normalizing and averaging these variables to yield a final factor, the latter was multiplied by each country's portfolio size to obtain a "weighted portfolio" value. The percentage value of the weighted portfolio for each country generated the score used to guide the selection and prioritization of D2.0 countries. The results of the metrics and scores used for the selection of D2.0 ICOs, divided by region, are presented in the table at the end of this Appendix.

This quantitative analysis was complemented by more qualitative discussions with Regional Directors to validate the potential for partnerships and CLPE opportunities, as well as operational feasibility. For example, while both Pakistan and Afghanistan ranked high in terms of overall score, the ICO set-up / upgrade process is currently planned for 2024 in both countries, due to the political situation in Afghanistan, and administrative hurdles in Pakistan.

Overall, 38 out of 40 existing ICO locations were validated using a combination of metrics-based approach and qualitative discussions (all except Bolivia and Guatemala). Additionally, 22 locations were prioritized for either opening new offices or for upgrades. The final number of offices to be opened or upgraded under D2.0 was decided based on marginal benefit of additional offices (captured in the metrics-based score in the final table of this Appendix) and affordability considerations. In addition, after OpEx but before D2.0, IFAD Senior Management took the decision to open CPO-led offices in Fiji and Angola. The ICO map as of January 2022 includes 40 offices.

The new D2.0 structure will allow IFAD to be closer to its clients and rural communities (country presence will go from 72% to 82%) with integrated and functional teams that will facilitate larger, faster and better investments to achieve development outcomes. IFAD’s increased country presence, especially in countries with fragile and conflict-affected situations, will be particularly important for the Rural Resilience Program (2RP), facilitating the leverage of significant funds and effective implementation of ASAP+, the 3S initiative and the Great Green Wall Initiative (GCF-supported) as well as ensuring better and greater co-financing from domestic/national partners.

By the end of the reform, the expected total number of IFAD country offices will go from 40 to 50, and the number of CD-led offices will increase from seven to 23 / 24 (reducing the number of CPO-led offices). All new and upgraded ICOs selected will be LICs or LMICs, except for Fiji, a special case of office handling only other SIDS countries. Moreover, 68% of countries will be in SSA and 45% in countries with FCS.

List of D2.0 ICOs to be opened or upgraded (divided by region), and associated metrics used for selection

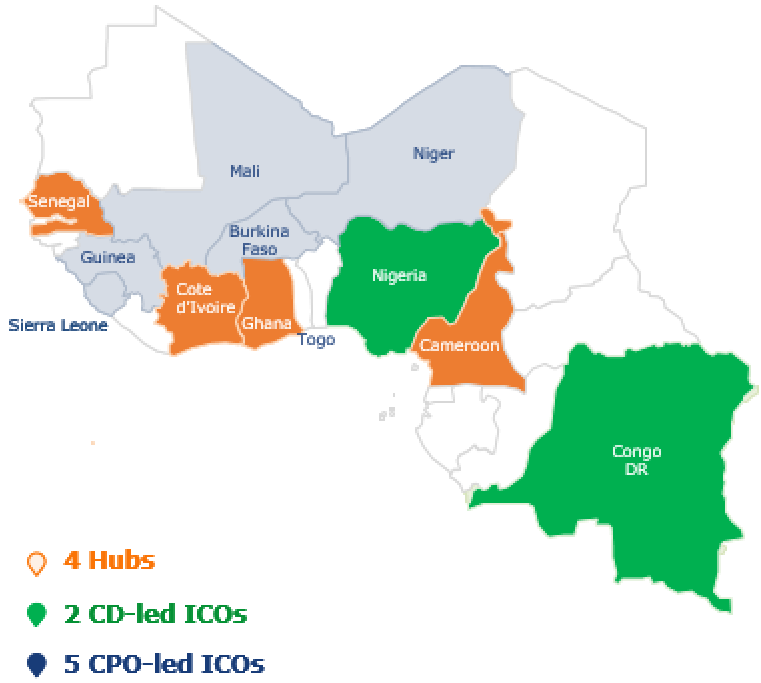
Country	Region	Year	FCS (WB FY22)	Income group (WB FY21-22)	Business factor	Poverty / hunger factor	Complexity factor	Final factor	Actual portfolio size, US$ (as of Q1 2021*)	Weighted portfolio size	Score (Weighted portfolio size, %)	Final rank
New CD-led												
Malawi	ESA	2022	Not FCS	LIC	1.2	1.3	0.9	1.1	232 127 792	249 137 832	3.02	9
Liberia	WCA	2022	Not FCS	LIC	1.0	1.3	1.2	1.2	81 319 000	96 176 010	1.17	28
Uzbekistan	NEN	2022	Not FCS	LMIC	1.0	0.5	0.9	0.8	118 103 300	94 754 200	1.15	29
Afghanistan	APR	2024	High intensity conflict	LIC	1.0	1.3	1.8	1.5	171 462 999	254 011 526	3.08	7
New CPO-led												
Chad	WCA	2022	Medium intensity conflict	LIC	1.1	1.3	1.5	1.4	90 100 000	123 926 146	1.50	23
South Sudan	ESA	2022	Medium intensity conflict	LIC	0.0	1.4	1.7	1.2	19 207 470	23 393 972	0.28	61
Benin	WCA	2023	Not FCS	LMIC	0.8	0.9	0.6	0.7	101 141 652	72 921 616	0.89	36
Central African Republic	WCA	2023	Medium intensity conflict	LIC	1.0	1.2	1.7	1.4	47 189 600	67 372 179	0.82	39
Togo	WCA	2023	Not FCS	LIC	0.7	1.2	0.8	0.9	49 118 200	43 428 936	0.53	47
Yemen	NEN	2024	High intensity conflict	LIC	0.2	1.2	1.9	1.3	56 205 388	74 739 642	0.91	33
Upgraded from CPO-led to CD-led												
Niger	WCA	2021	Medium intensity conflict	LIC	1.2	1.2	1.4	1.3	210 875 440	272 298 260	3.31	6
Nepal	APR	2021	Not FCS	LMIC	1.2	0.8	0.8	0.9	182 458 654	167 475 488	2.03	20
Haiti	LAC	2021	Medium intensity conflict	LMIC	0.9	1.3	1.5	1.3	10 859 000	13 940 794	0.17	70
Fiji*	APR	2021/2022	Not FCS	UMIC	0.2	0.2	0.7	0.4	17 695 566	7 580 891	0.09	78
Uganda	ESA	2022	Not FCS	LIC	1.3	1.3	0.9	1.1	265 790 343	290 692 961	3.53	5

Mozambique	ESA	2022	Medium intensity conflict	LIC	1.2	1.4	1.0	1.1	203 293 194	232 049 434	2.82	11
Burkina Faso	WCA	2022	Medium intensity conflict	LIC	1.1	1.2	1.3	1.2	186 293 148	226 848 323	2.75	12
Madagascar	ESA	2022	Not FCS	LIC	1.2	1.5	0.8	1.1	185 730 418	203 851 809	2.48	15
Mali	WCA	2022	Medium intensity conflict	LIC	1.1	0.9	1.4	1.2	132 601 270	158 425 059	1.92	21
Angola	ESA	2022	Not FCS	LMIC	0.8	1.3	1.0	1.0	75 704 000	74 152 701	0.90	34
Rwanda	ESA	2022	Not FCS	LIC	0.9	1.3	0.5	0.8	77 404 765	63 548 557	0.77	40
Pakistan	APR	2024	Not FCS	LMIC	1.2	1.0	0.9	1.0	317 324 000	315 967 051	3.84	4

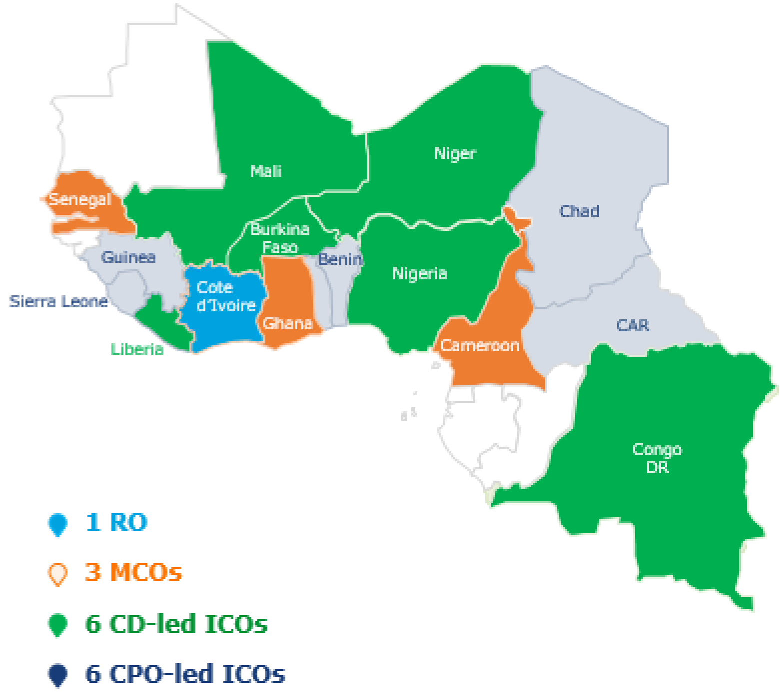
**This is the sum of the scores Kiribati, Tonga and Samoa*

D2.0 regional ICO maps

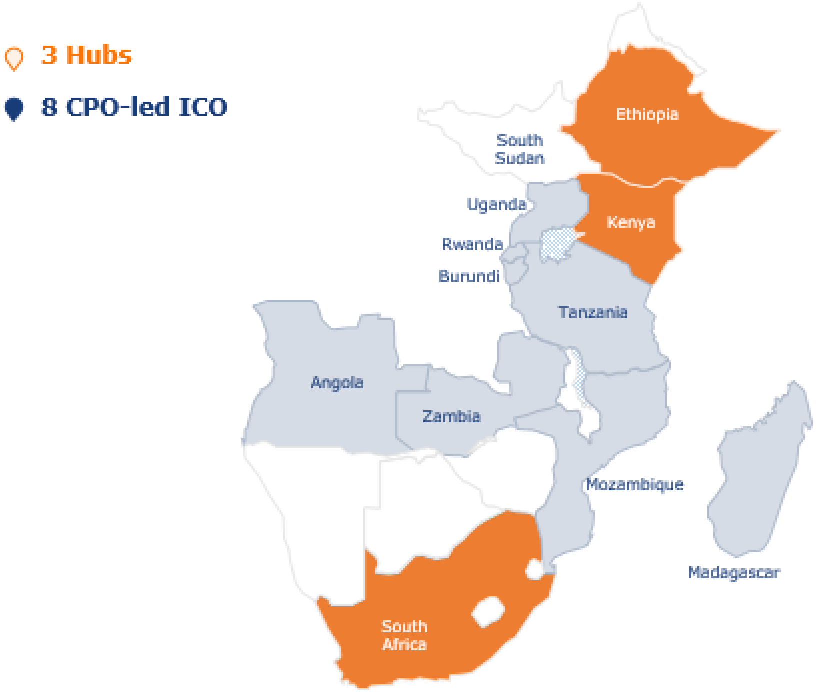
WCA map with ICOs before D2.0



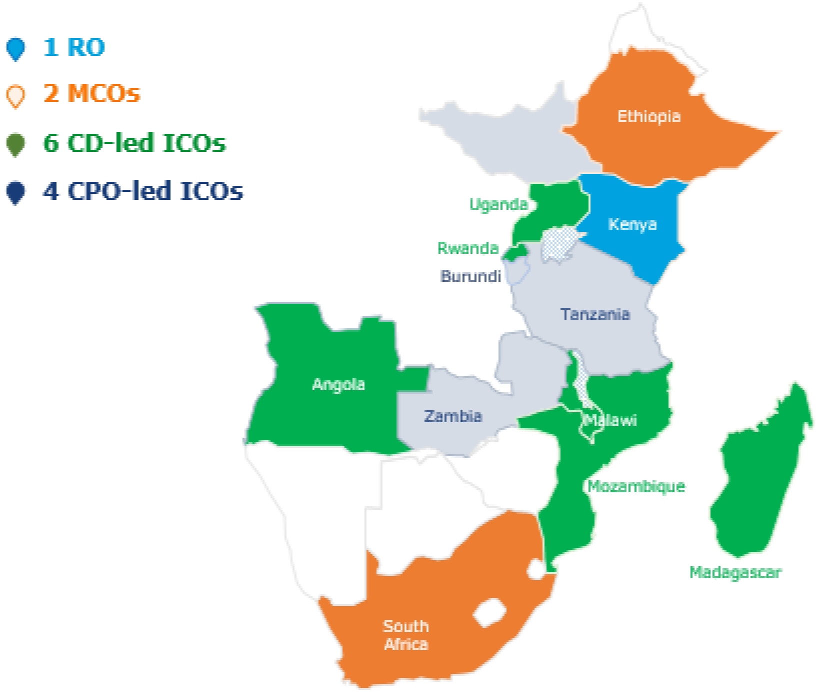
WCA map with ICOs after D2.0



ESA map with ICOs before D2.0

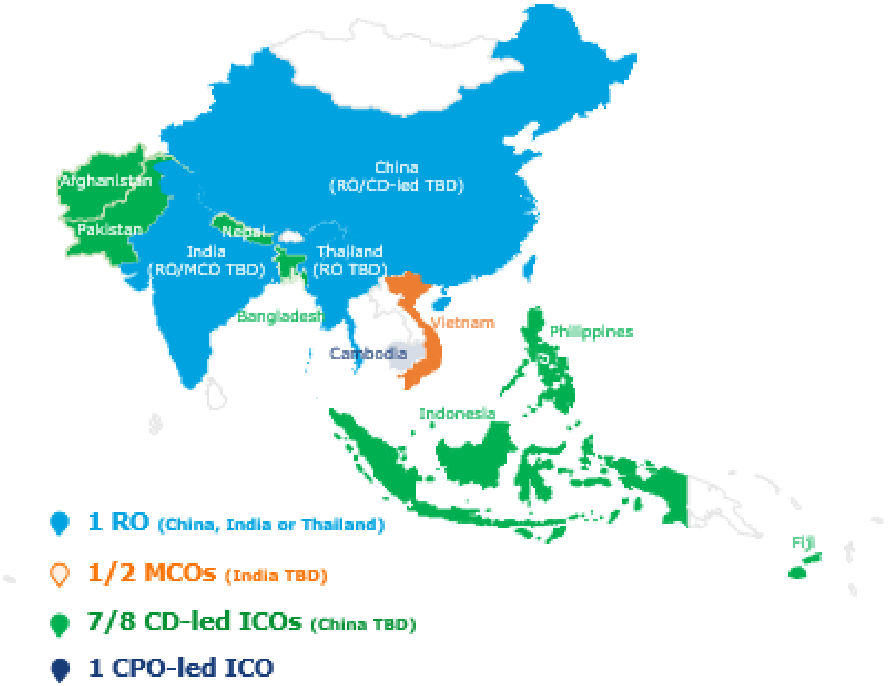


ESA map with ICOs after D2.0



APR map with ICOs before D2.0

APR map with ICOs after D2.0



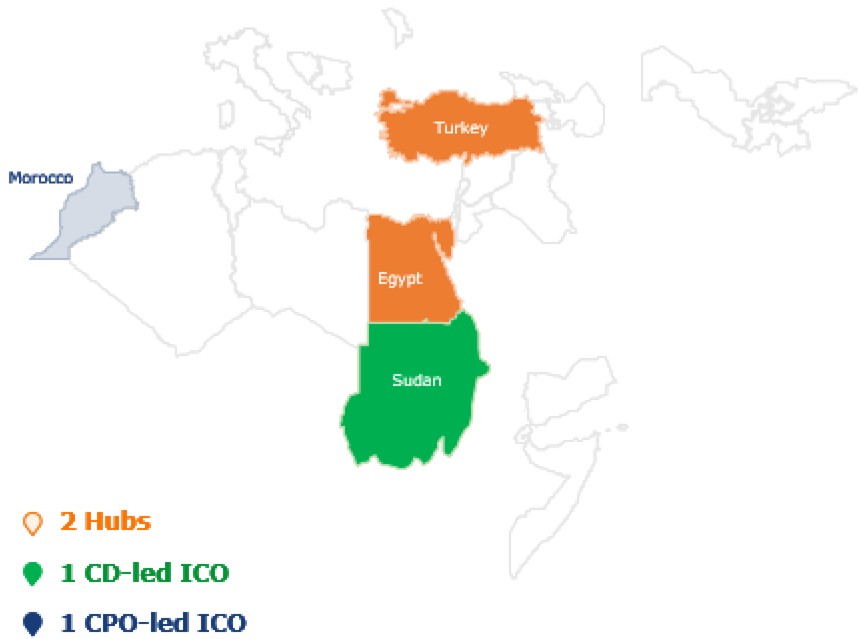
LAC map with ICOs before D2.0

- 2 Hubs
- 2 CD-led ICOs
- 2 CPO-led ICOs

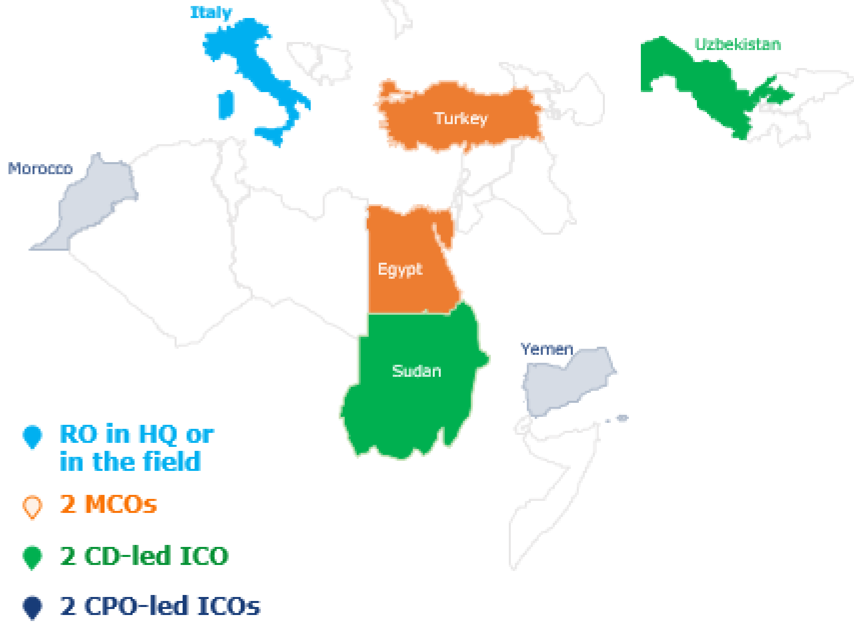
LAC indicative map with ICOs after D2.0

- 1 RO (Peru or Panama)
- 1 MCO
- 2 CD-led ICOs

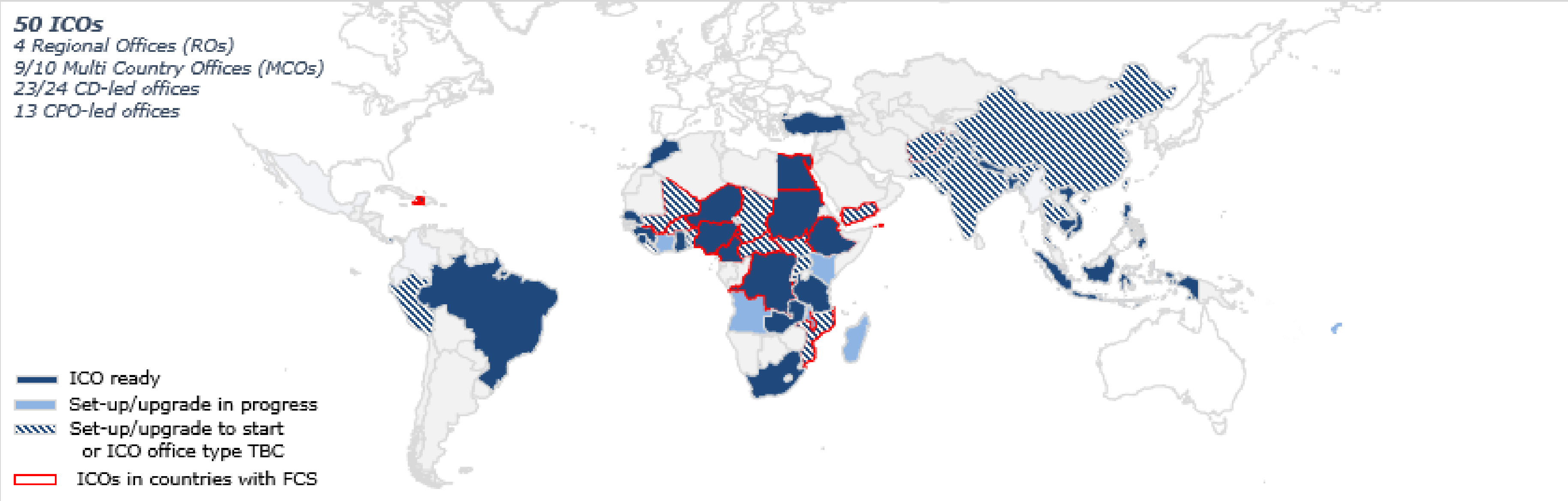
NEN map with ICOs before D2.0



NEN indicative map with ICOs after D2.0



D2.0 ICOs progress map (as of January 2022)



LAC (4)	
Brazil	CD-led
Haiti	CD-led (U)
Panama	TBC RO / MCO
Peru	TBC RO / MCO

WCA (16)	
Benin	CPO-led (N)
Burkina Faso	CD-led (U)
Cameroon	MCO
CAR	CPO-led (N)
Chad	CPO-led (N)
DCR	CD-led
Cote D'Ivoire	RO (U)
Ghana	MCO
Guinea	CPO-led
Liberia	CD-led (N)
Mali	CD-led (U)
Niger	CD-led (U)
Nigeria	CD-led
Senegal	MCO
Sierra Leone	CPO-led
Togo	CPO-led (N)

ESA (13)	
Angola	CD-led (U)
Burundi	CPO-led
Ethiopia	MCO
Kenya	RO (U)
Madagascar	CD-led (U)
Malawi	CD-led (N)
Mozambique	CD-led (U)
Rwanda	CD-led (U)
South Africa	MCO
South Sudan	CPO-led (N)
Tanzania	CPO-led
Uganda	CD-led (U)
Zambia	CPO-led

APR (11/12)	
Afghanistan	CD-led (N)
Bangladesh	CD-led
Cambodia	CPO-led
China	TBC RO / CD-led
Fiji	CD-led (U)
India	TBC RO / MCO
Indonesia	CD-led
Nepal	CD-led (U)
Pakistan	CD-led (U)
Philippines	CD-led
Thailand	TBC RO / no office
Vietnam	MCO

NEN (6)	
Egypt	MCO
Morocco	CPO-led
Sudan	CD-led
Turkey	MCO
Uzbekistan	CD-led (N)
Yemen	CPO-led (N)

Upgrade (U)
New (N)

Detailed phases of implementation

The figures at the end of this Appendix show the various workstreams and key milestones linked to planned budget expenditures and the following summary is provided for each year of D2.0 implementation:

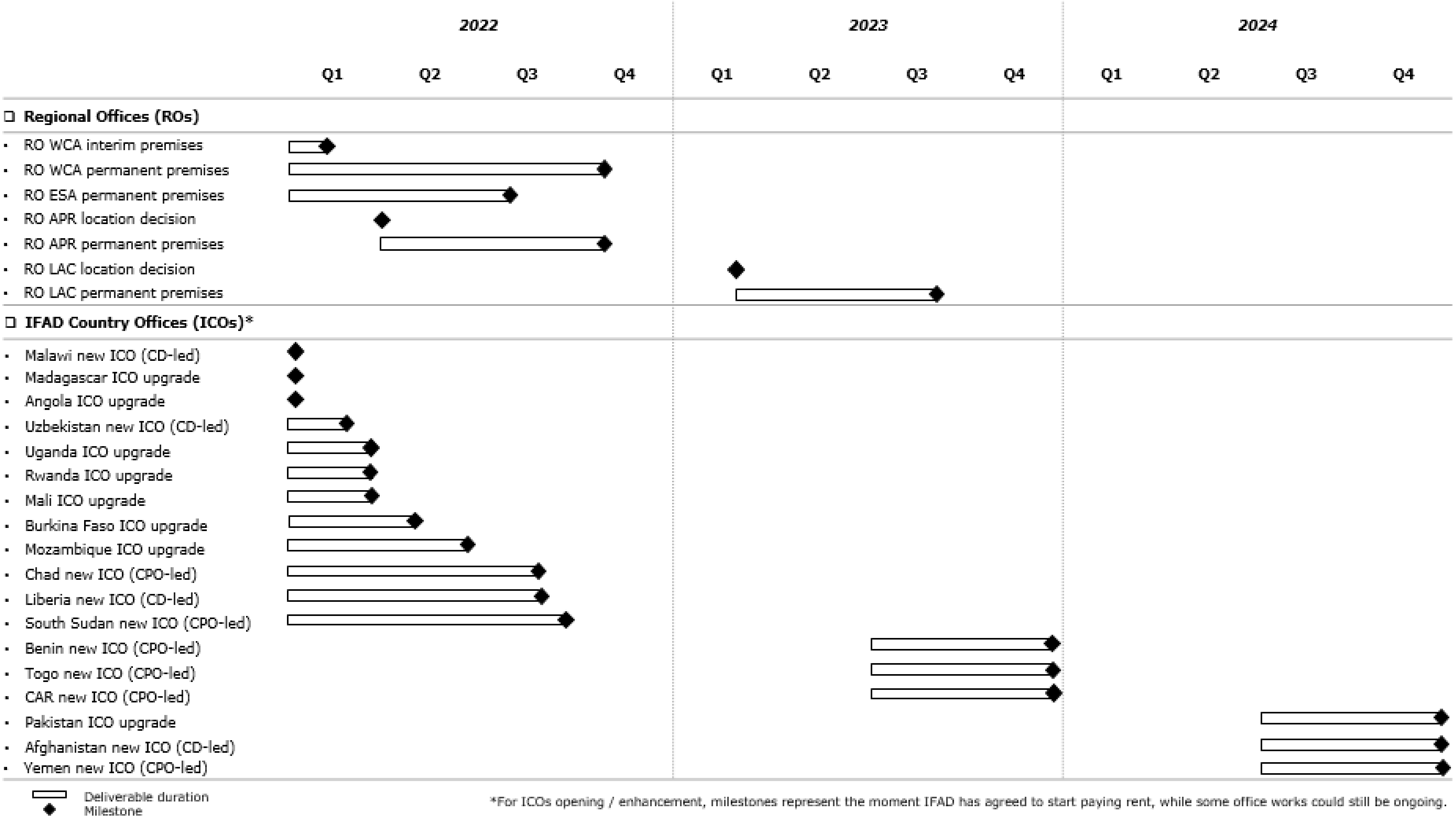
(i) **Plans for 2022 - regional offices (WCA, ESA and APR) and expanding country presence (2022)**: by the end of this year, IFAD will aim at having three operational regional offices in WCA, ESA and APR. The set-up and staffing of the APR RO, however, will likely be postponed to 2023 if early identification of the host country and location of the regional office premise is not made by the first trimester of 2022. The plan for 2022 also includes completing upgrades of four offices started in 2021 (Fiji, Haiti, Nepal and Niger), opening five (Chad, Liberia, Malawi, South Sudan, Uzbekistan) and upgrading seven ICOs (Mali, Burkina Faso, Mozambique, Madagascar, Uganda, Rwanda and Angola). This will entail recruiting staff for the front office in the three regions and for the regional liaison team in Rome. This team, together with the D2.0 upskilling program, which aims to train new and existing field staff, will be fundamental to handle the transition. Importantly, the new Corporate Services Manager position will be created and recruited also for the three regions, with strong links with HQ (entry point for Corporate Services Department) and will provide key support to the Regional Director and ICOs, including supervising an administrative pool in the regional offices. As per the ICOs, the set-up and upgrade of ICOs not only includes the activities related to office enhancements but also the recruitment and / or relocation of staff aligned to staffing metrics. Reassignment will also be an important way to ensure that staff are located in the field.

(ii) **Plans for 2023 - fine-tuning integrated teams and country presence:** in 2023, the LAC regional office location will be decided. The structure for LAC will be enriched by lessons from Africa and Asia, with a focus on strong partnerships and policy engagement for innovation, new development finance models and addressing inequality. Additionally, three more CPO-led offices will be set up in Benin, Togo and Central Africa Republic by the end of 2023.

(iii) **Plans for 2024:** this is the final year of D2.0, although some of the additional recurrent costs will be borne only in 2025. For instance, two more offices will likely open by year end – one in Afghanistan (CD-led) and one in Yemen (CPO-led) - and one office will be upgraded in Pakistan. Therefore, half of the additional recurrent costs (to cover a full fiscal year) for these offices will only accrue from 2025 onwards. By 2025, IFAD will have 45% of staff based and settled in the field, 50 ICOs and four regional offices. Country presence will increase from 72 to 82 percent (as a portion of portfolio covered from in-country ICO), significantly improving IFAD's capacity to deepen and double impact by 2030. Overall one-time and incremental recurrent costs in steady-state would account for US$ 11.0 million and US$ 6.6 million, respectively.

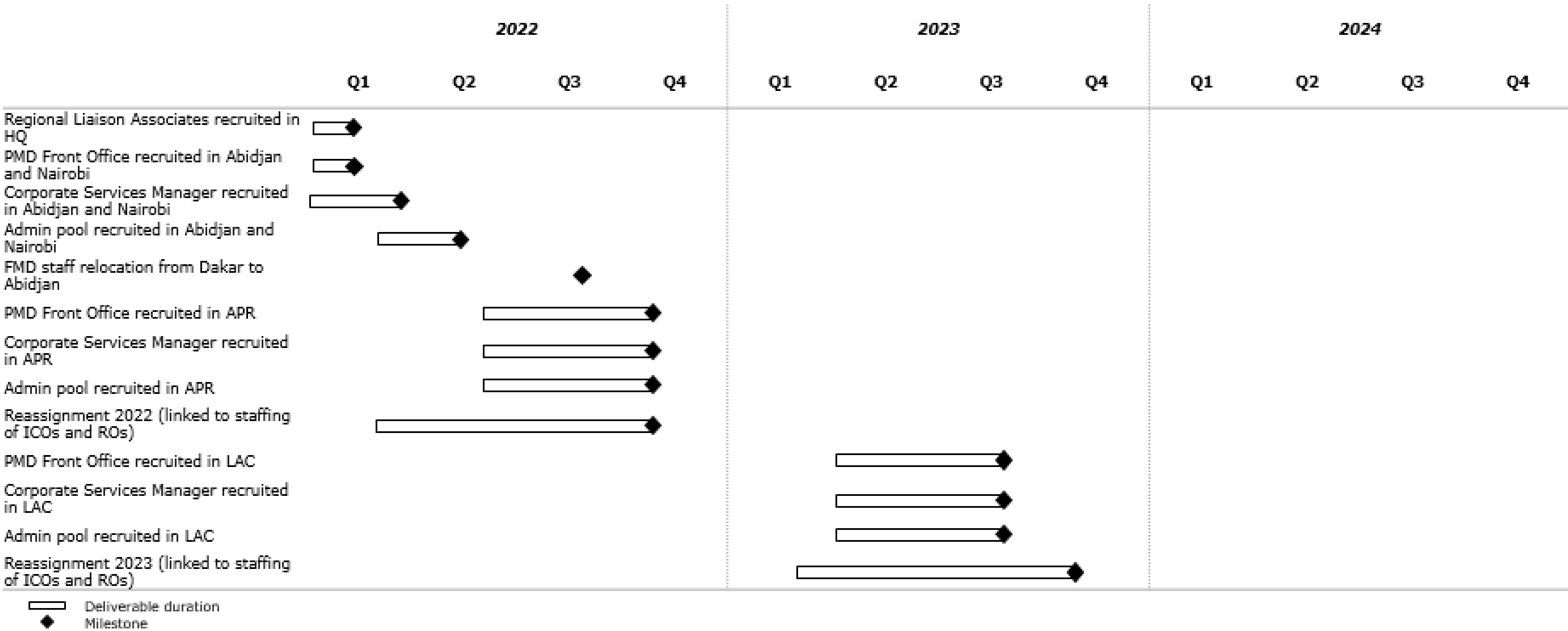
In terms of governance structure to oversee implementation, D2.0 has three Executive Sponsors (AVP PMD, AVP SKD and Chief of Staff) and routines to drive implementation, engagement with staff (managers, staff association and staff at large), regular reporting and communication of progress, including (but not limited to): D2.0 Implementation Group, Steering Committee, quarterly updates to EMC, 'Shovel' reports, Blogs and Interacts. All of these are already in place and will continue throughout the reform to continuously secure feedback loops, take stock, learn and adjust accordingly.

D2.0 Infrastructure workstream key activities and milestones for the implementation period 2022-2024



*For ICOs opening / enhancement, milestones represent the moment IFAD has agreed to start paying rent, while some office works could still be ongoing.

D2.0 People workstream key activities and milestones for the implementation period 2022-2024



Types of ICOs under D2.0

The D2.0 model will include regional offices, multi-country offices, CD-led offices and CPO-led offices. A summary of each type of office is presented below, while for further details refer to the table at the end of this Appendix.

- **Regional offices**: Led by the Regional Director, the ROs will host the PMD regional team, the Strategy and Knowledge Department's (SKD) regional team, the Financial Operations Department's (FOD) regional team and new staff from all departments, including the Corporate Services Department (CSD). The regional director will ensure that IFAD's operations promptly and strategically respond to the evolving regional context and rural policy priorities while maximizing value for money and efficient use of resources (see Appendix 3 for targets and indicators).

  The RO will provide a wide range of services, including programmatic support to country teams, strengthened communication and visibility, cross-departmental coordination, and risk management and compliance. The location of the ROs across the world is based primarily on where IFAD can best forge partnerships to visibly lead rural agricultural policymaking, scale up new and innovative components of its business model, and assemble development finance in the region. In addition, and apart from security and family life considerations, an RO must be conveniently located to ensure an optimized cost of doing business (e.g., connectivity, minimum travel time and cost).

- **Multi-country offices**: MCOs will also play an important role in D2.0 as centres that both efficiently lead important sub regional programmes (e.g., Sahel) or handle various portfolios with increased economies of scale and leverage the experience and know-how of seasoned CDs to mentor less-experienced colleagues and junior staff. Almost all MCOs were previously hubs under OpEx, and location was established based on visibility, partnership building, knowledge management, regional policy fora, regional economic importance and travel connectivity. MCOs are staffed only with staff from PMD (and always have more then one Country Director), unless there is a specific need or program that justifies the presence of other departments.

- **CD-led offices**: Led by the Country Director and reporting directly to the Regional Director, these offices are responsible for handling the lending and non-lending portfolio of the host country and other countries assigned. This includes: country programme support, knowledge use, policy engagement, partnerships, communications and corporate engagement. CD-led offices are staffed only with staff from PMD, unless there is a specific need or program that justifies the presence of other departments (e.g., SKD).

- **CPO-led offices**: Led by a national Country Program Officer, these offices support IFAD's the program of work in the host country. The program of work, however, is always managed by a Country Director based either in a CD-led office, in a MCO or in a RO.

IFAD regional presence planned under D2.0

ICO type	Staffing	Functions	Number*
Regional office (RO)	- 50 to 70 staff from PMD, SKD, FOD ERG and CSD - All technical staff in the field are based in ROs** - PMD regional director and front office - PMD Country Director and country team*** - SKD Regional Technical Leads (ECG and PMI), junior specialists and national staff - FMD staff: Senior Officer, Officers and Analysts - Corporate Services Manager, Security Officers, and staff from CSD (e.g., HRD, IT) - COM Officer and Analyst - Partnership Officer - Administrative staff to support	- Regional engagement (lending and non-lending activities) - Programmatic and administrative support to country teams - Cross – departmental coordination - Risk management and compliance - Business services - Under OpEx, the majority of staff now in ROs were operating before either from HQ in Rome or a hub in the field. - CDs based in RO focus on managing assigned portfolios.	4
Multi-country office (MCO)	- Head of Multi-Country Office - Country Program Officer. A second Country Program Officer / Analyst may be consider based on portfolio size of host country and other metrics - One Country Program Assistant - Number of Country Program Assistants is adjusted upwards if supporting more than 2 CDs - Country Administrative Assistant - Programme Officer - Country Operations Analyst - One or more CDs according to number countries handled from MCO	- Head of MCO manages portfolio of host country. CDs manage portfolios of assigned countries. - Sub-regional policy engagement and partnerships - Sub-regional lending programmes (e.g., Sahel) - Support to CPO-led ICOs and countries without and ICO handled from MCO - All of the MCOs were before hubs under OpEx. The main difference is that technical staff is no longer based in these offices (only PMD), unless specific cases apply. - CDs based in MCO focus on managing assigned portfolios.	9/10
Country Director – led office (CD-led ICO)	- Country Director, Country Program Officer****, and Country Program Assistant	- CD and country team handle portfolio of host country and potentially other countries covered from ICO. - Country programme support, non-lending activities, communications and corporate engagement.	23/24
Country Program Officer – led office (CPO-led ICO)	- Country Program Officer	- Portfolio is always handled from CD-led ICO, MCO or RO by Country Director with strong support from in-country CPO.	13

* Final number of MCOs and CD-led ICOs still to be defined as it will depend on location of APR RO

** However, in some cases, there might be the need for specific positions (e.g., supplementary funded) to be based in MCO or even CD-led ICO.

*** If more than one CD, MCO metrics applies.

**** May include a second Country Program Officer / Analyst based on portfolio size of host country and other metrics

Detailed budget tables

D2.0 detailed one-time costs split by cost item*

US$

Cost item	# of units	Total	Actuals 21	Est. '22	Est. '23	Est. '24	Est. '25
Regional Office facilities	**4 Reg. Office**	**3 470 000**	**582 000**	**2 280 000**	**608 000**	**0**	**0**
of which APR	1 Reg. Office	760 000	0	760 000	0	0	0
of which ESA	1 Reg. Office	825 000	65 000	760 000	0	0	0
of which LAC	1 Reg. Office	608 000	0	0	608 000	0	0
of which WCA	1 Reg. Office	1 277 000	517 000	760 000	0	0	0
New / upgraded ICOs facilities	**22 offices**	**4 003 000**	**23 000**	**1 921 000**	**833 000**	**1 226 000**	**0**
of which APR	4 offices	853 000	0	70 000	120 000	663 000	0
of which ESA	7 offices	826 000	23 000	753 000	50 000	0	0
of which LAC	1 offices	220 000	0	220 000	0	0	0
of which NEN	2 offices	468 000	0	25 000	0	443 000	0
of which WCA	8 offices	1 636 000	0	853 000	663 000	120 000	0
Staff relocation / onboarding	**59 staff**	**2 327 718**	**167 718**	**1 280 000**	**560 000**	**320 000**	**0**
of which reloc. from HQ to field	28 staff	1 091 211	131 211	600 000	280 000	80 000	0
of which reloc. from field to field	25 staff	996 507	36 507	560 000	200 000	200 000	0
of which new staff onboarding	6 staff	240 000	0	120 000	80 000	40 000	0
Consultants to support D2.0 process	**6 headcounts**	**584 000**	**114 000**	**226 000**	**244 000**	**0**	**0**
of which D2.0 project consultant	1	132 000	36 000	48 000	48 000	0	0
of which D2.0 HRD D2.0 coord.	1	155 000	31 000	62 000	62 000	0	0
of which D2.0 HRD consultant	1	96 000	32 000	32 000	32 000	0	0
of which D2.0 FSU consultant	1	75 000	15 000	30 000	30 000	0	0
of which D2.0 FPD consultants	2	126 000	0	54 000	72 000	0	0
D2.0 project manager	**1 staff**	**557 092**	**173 892**	**191 600**	**191 600**	**0**	**0**
D2.0 admin pool support	**4 headcounts**	**48 000**	**0**	**48 000**	**0**	**0**	**0**
Total one-time costs		***10 989 809***	***1 060 609***	***5 946 600***	***2 436 600***	***1 546 000***	***0***

*Costs already include specific savings or expenditures agreed.

D2.0 detailed recurrent costs split by cost item

US$

Cost item	# of units	*Steady state*	Actuals '21*	FCST '22	FCST '23	FCST '24	FCST '25
Regional Office facilities	**4 Reg. Office**	**3 154 401**	**50 000**	**1 400 122**	**2 513 964**	**3 154 401**	**3 154 401**
of which APR	1 Reg. Office	962 220	0	160 370	962 220	962 220	962 220
of which ESA	1 Reg. Office	749 285	50 000	749 285	749 285	749 285	749 285
of which LAC	1 Reg. Office	960 655	0	0	320 218	960 655	960 655
of which WCA	1 Reg. Office	482 240	0	490 467	482 240	482 240	482 240
RO staff		**-598 500**	**0**	**-33 367**	**181 650**	**-74 900**	**-598 500**
of which Corporate Services Manager	+3 field staff	574 800	0	175 633	431 100	574 800	574 800
of which Regional Security Officer	+3 field staff	454 500	0	75 750	303 000	454 500	454 500
of which Data Analyst	+4 field staff	252 900	0	98 450	192 300	252 900	252 900
of which admin support in RO		-1 880 700	0	-383 200	-744 750	-1 357 100	-1 880 700
of which Reg. Director FO staff		-839 100	0	-175 850	-470 025	-695 200	-839 100
of which GS Rome abolished	-12 HQ staff	-1 151 200	0	-287 800	-719 500	-1 007 300	-1 151 200
of which GS field new	+ 8 field staff	243 800	0	86 558	188 750	243 800	243 800
of which GS field upgrades	+ 4 field upgrades	68 300	0	25 392	60 725	68 300	68 300
of which PMD liaison function		-1 017 900	0	-207 350	-650 325	-904 800	-1 017 900
of which G6 Rome abolished	-13 HQ staff	-1 470 300	0	-395 850	-1 017 900	-1 357 200	-1 470 300
of which G6 HQ new	+ 4 HQ staff	452 400	0	188 500	367 575	452 400	452 400
of which SKD staff		-422 000	0	0	55 600	-155 400	-422 000
of which GS Rome abolished	-8 HQ staff	-698 800	0	0	0	-349 400	-698 800
of which GS field new	+ 8 field staff	276 800	0	0	55 600	194 000	276 800
of which RO admin pool	+13 field staff	398 300	0	0	320 000	398 300	398 300
ICOs		**3 322 038**	**64 072**	**1 566 396**	**2 281 619**	**2 728 574**	**3 322 038**
of which new / upgraded offices		3 586 088	64 072	1 830 446	2 545 669	2 992 624	3 586 088
of which facilities	22 offices	2 358 988	64 072	1 292 074	1 772 569	1 976 424	2 358 988
of which staff	40 field staff	1 227 100	0	538 372	773 100	1 016 200	1 227 100
of which closing offices		-264 050	0	-264 050	-264 050	-264 050	-264 050
of which offices	-2 offices	-82 050	0	-82 050	-82 050	-82 050	-82 050
of which staff	-4 field staff	-182 000	0	-182 000	-182 000	-182 000	-182 000
UN UNDSS + Resid. Coord. charges		**760 000**	**0**	**0**	**253 333**	**506 667**	**760 000**
Total recurrent costs		***6 637 939***	***114 072***	***2 933 151***	***5 230 566***	***6 314 742***	***6 637 939***

**Note that this refers only to D2.0 costs in 2021, not to previous decentralization initiatives*

D2.0 ICO incremental recurrent and one-time costs split between facility and staff costs

US$

Region	Country	Type of change	FCS status	Incremental cost total	Incremental recurrent facility cost	Incremental recurrent staff cost	One-time facility cost
APR	Fiji	Upgraded CD-led	Not FCS	112 769	72 369	40 400	25 000
APR	Afghanistan	New CD-led	High intensity conflict	328 130	226 330	101 800	443 000
APR	Nepal	Upgraded CD-led	Not FCS	198 228	166 928	31 300	165 000
APR	Pakistan	Upgraded CD-led	Not FCS	104 766	87 866	16 900	220 000
ESA	Uganda	Upgraded CD-led	Not FCS	78 685	57 885	20 800	14 000
ESA	Malawi	New CD-led	Not FCS	207 151	140 851	66 300	220 000
ESA	Mozambique	Upgraded CD-led	Medium intensity conflict	143 433	119 933	23 500	75 000
ESA	Madagascar	Upgraded CD-led	Not FCS	114 853	106 853	8 000	9 000
ESA	South Sudan	New CPO-led	Medium intensity conflict	203 395	105 395	98 000	243 000
ESA	Rwanda	Upgraded CD-led	Not FCS	88 805	69 605	19 200	220 000
ESA	Angola	Upgraded CD-led	Not FCS	104 800	35 000	69 800	45 000
LAC	Haiti	Upgraded CD-led	Medium intensity conflict	109 291	87 191	22 100	220 000
NEN	Uzbekistan	New CD-led	Not FCS	167 394	80 094	87 300	25 000
NEN	Yemen	New CPO-led	High intensity conflict	160 567	68 367	92 200	443 000
WCA	Niger	Upgraded CD-led	Medium intensity conflict	228 128	158 528	69 600	105 000
WCA	Burkina Faso	Upgraded CD-led	Medium intensity conflict	72 644	43 144	29 500	220 000
WCA	Mali	Upgraded CD-led	Medium intensity conflict	183 728	163 228	20 500	165 000
WCA	Chad	New CPO-led	Medium intensity conflict	227 338	143 938	83 400	243 000
WCA	Liberia	New CD-led	Not FCS	305 028	221 628	83 400	220 000
WCA	Benin	New CPO-led	Not FCS	149 252	67 952	81 300	220 000
WCA	CAR	New CPO-led	Medium intensity conflict	150 952	67 952	83 000	243 000
WCA	Togo	New CPO-led	Not FCS	146 752	67 952	78 800	220 000
Total				**3 586 088**	**2 358 988**	**1 227 100**	**4 003 000**

Links with other IFAD reforms

D2.0 is the cornerstone of the institutional pillar of the Twelfth Replenishment of IFAD's Resources (IFAD12), bringing about structural changes in the way IFAD works at the frontline (core processes), including programme design and support, policy engagement, knowledge management, partnership building and communications. The various ongoing reforms are naturally linked to D2.0 as they are aiming to improve support processes (e.g., workforce planning, project procurement, budget formulation and execution) that should ultimately help country teams perform their core functions and deliver development outcomes. The linkages between D2.0 and other IFAD reforms would yield the following operational results:

(i) **Adequate skills and capacity**. The DWP aims at closing the skills and capacity gaps identified in IFAD as a result of a thorough workforce planning exercise conducted in 2020. D2.0 feeds into the DWP with specific staffing metrics and models needed for the envisaged new ICO map, including regional offices. The capacity and skills gaps in the field, therefore, are clearly identified and D2.0 and DWP teams are in continuous coordination to ensure that these gaps are timely addressed. In addition, D2.0 clear staffing metrics refine overall DWP planning and provide inputs for further headquarters restructuring. The latter does not only refer to relocation of professional staff and creating general service positions in the field but also rethinking how the Corporate Services Department and the Corporate Services Support Group (CSSG) stay fit-for-purpose in IFAD's new decentralized structure.

(ii) **Increased efficiency and strong centre**. The Processes, People and Technology Plan (PPTP) facilitates the introduction of a new talent framework and re-engineered processes for increased efficiency and equips IFAD with tools and systems to further strengthen the linkage between HQ and the field. In addition, as staff (and in some cases entire divisions) move to the field, IFAD needs a very strong centre to ensure the application of same standards and alignment to corporate objectives (especially on development outcomes), collect information from the field and monitor risks in real time to add value to country teams and IFAD's governance bodies in the form of strategic guidance, better risk management, improved results reporting and global knowledge sharing.

In September of 2021, the Executive Board approved IFAD's Enterprise Risk Management Policy. The governance structure and processes laid out in the policy will be paramount to identify, assess, monitor and report risks resulting in time from increased country presence and a new field-based operational model.

(iii) **Empowered frontline**. In 2021, IFAD implemented bold new changes to empower staff, strengthen workplace culture, and further delegate authority to County Directors (CDs) and unit heads. Forty-three new or revised delegations were issued in operations, procurement, human resources, finance / budget and governance/protocol, following extensive consultations, notably with CDs. The Delegation of Authority (DoA) will have to be updated accordingly in 2022 and reflect the new structure in the field and closely monitored by the Financial Controller's Division (FCD) Controllership Unit, which will report to Senior Management on results. The extended DoA (e.g., budget, procurement, travel) will be supported by user training to be provided by HQ-based business process owners.

(iv) **Smart budgeting**. D2.0 is not the only driver of potential regular budget increases in the following years for IFAD. There is the need for an enhanced budget formulation process that allows for a better identification of the trade-offs among the different budget items and facilitate decision-making to Senior Management. This in turn would significantly help D2.0 with predictable and clear budget allocations for better planning and implementation from 2023 onwards.

Timeline and sequencing of IFAD reforms