
Report of the Audit Committee on IFAD's 2025 results-based programme of work, regular and capital budgets, and budget outlook for 2026–2027, and IOE's results-based work programme and budget for 2025 and indicative plan for 2026–2027

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Useful references: IFAD's 2025 results-based programme of work, regular and capital budgets, and budget outlook for 2026–2027, and IOE's results-based work programme and budget for 2025 and indicative plan for 2026–2027 ([AC 2024/175/R.9](#) + [Corr.1](#))

Action: The Executive Board is invited to review the present document.

Technical questions:

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1. Management introduced the agenda item, noting that the final 2025 budget proposal had been prepared following an extensive internal prioritization process, taking into consideration the feedback received from the Audit Committee and Executive Board on the high-level preview.
2. Management presented the proposed 2025 net regular budget of US\$190.51 million and a capital budget envelope of US\$5.48 million. The proposal was aligned with the overarching objectives of the Thirteenth Replenishment of IFAD's Resources (IFAD13), focusing on delivering a US\$10 billion programme of work over the next three years and improving the livelihoods of over 100 million rural people, prioritizing fragility, climate resilience, biodiversity management, and strengthened private sector partnerships.
3. In line with IFAD13 commitments, Management confirmed that the main drivers of the 2025 budget were programme delivery, addressing fragility, biodiversity and climate challenges, and strengthening private sector engagement.
4. In addition, Management highlighted that trade-offs and savings had been identified to allow further investments in a budget-neutral manner in South-South and Triangular Cooperation (SSTC) and in consolidating financial architecture and institutional functions and systems to support smooth operations across IFAD's global workforce.
5. The Committee noted Management's efforts to balance budget growth with financial discipline. The proposed real increase of 1.18 per cent and a price adjustment of 2.69 per cent reflected a focus on IFAD13 priorities while minimizing inflationary pressures.
6. Management also underscored that the recalibration exercise had led to cost-saving measures, including the repurposing of existing staff positions and the avoidance of net growth in staffing levels. In addition, greater transparency had been achieved by linking resource allocations more directly to deliverables, with new efficiency indicators complementing the existing framework.
7. The Director, Independent Office of Evaluation of IFAD (IOE), presented the IOE 2025 work programme and budget, proposing a budget increase to US\$7.257 million, representing 0.60 per cent of the programme of loans and grants (PoLG) under IFAD13. This increase supported the expansion of country strategy and programme evaluation (CSPE) coverage of planned country strategic opportunities programmes (COSOPs) over the next two years from 44 to 57 per cent, enabling IOE to strengthen IFAD's institutional accountability and effectiveness. Management noted that this incremental increase was aligned with the multi-year strategy and would ensure that IOE was positioned to respond effectively to growing evaluation demands without exceeding the cap of 0.90 per cent.
8. The Committee appreciated Management's responsiveness to feedback provided during earlier discussions on the budget preview and commended the improvements made since then resulting in the 2025 budget document.
9. Members welcomed the alignment of the budget proposal to IFAD13 priorities, providing a rationale for increasing the resources allocated to the three respective pillars on climate, fragility and private sector engagement. However, they also

noted that these activities are not new to IFAD and therefore greater allocations should be clearly justified as instrumental towards additional efforts and results.

10. While appreciating efforts to recalibrate the budget proposal through strategic prioritization and trade-offs and contain budget growth, several members emphasized the need for greater prioritization of operational costs and expressed concerns regarding the timeline for achieving zero real growth, currently envisaged in 2027.
11. In particular, regarding the timeline, some members advocated for a more balanced pathway to reach this goal, suggesting that adjustments through achieving efficiencies and better prioritization be made to achieve zero real growth in the budget before 2027.
12. Members also highlighted the importance of transparency in staffing allocations and requested the reinstatement of detailed staffing tables in future budget documents. Relatedly, the still high vacancy rate and the increase in consultancy costs were noted.
13. Clarification was also sought on the cost implications of decentralization to finance potential new country offices, whose set up had had to be suspended. Overall, after robust discussions around the 2025 budget proposal, the need to balance ambition with fiscal discipline was emphasized, while also bearing in mind the desirability of accelerating the trajectory toward budget stability.
14. The Committee welcomed the IOE's increased focus on CSPE coverage but encouraged prioritizing evaluations in countries nearing the income threshold for graduation discussions. Members also sought IOE's views on optimal coverage ratio and its budgetary comparison with peer institutions, emphasizing the importance of balancing cost-efficiency with comprehensive evaluation coverage.
15. In response, Management reiterated its commitment to maintaining financial prudence while delivering on IFAD13 priorities. Management clarified that increases in fragility-related allocations, private sector initiatives, and SSTC reflected the expanded scope and ambition of these activities under IFAD13. Efforts to contain costs through recalibration and enhanced efficiency were also highlighted as well as the challenge of accelerating the trajectory to zero real growth. With respect to the potential opening of new country offices, Management clarified that the related costs could be substantial and that they were not reflected in the current budget proposal, given the uncertainty.
16. The Director, IOE, outlined the strategic approach to gradually increasing CSPE coverage and achieving optimal alignment with IFAD's accountability and learning objectives. He underscored that the IOE budget/PoLG ratio was much lower than in peer institutions – namely the international financial institution members of the Evaluation Cooperation Group. Addressing the question on optimal coverage ratio, the Director, IOE, indicated that at least two-thirds of COSOPs should be informed by a recent CSPE, implying a further increase of the coverage ratio in the future, from the 57 per cent to be achieved in 2025 to about 66 per cent.
17. The Audit Committee concluded its review of the 2025 results-based programme of work, and regular and capital budgets, along with the IOE results-based work programme and budget for 2025 and agreed that the document would be submitted to the Executive Board at its December session.