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IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
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2006 PROGRAMME OF WORK AND BUDGET OF IFAD
AND ITS OFFICE OF EVALUATION

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ABBREVIATIONS AND ACRONYMS

ACA	advance commitment authority
ACP	agreement at completion point
AfDB	African Development Bank
APO	Associate Professional Officer
ARRI	Annual Report on the Results and Impact of IFAD Operations
ASMCS	After-Service Medical Coverage Scheme
BSF	Belgian Survival Fund
CLE	corporate-level evaluation
COSOP	country strategic opportunities paper
CPE	country programme evaluation
EAD	External Affairs Department
ERP	PeopleSoft enterprise resource planning
FAFA	Financial and Administrative Framework Agreement
FAO	Food and Agriculture Organization of the United Nations
FPE	full project equivalent
FPPP	Field Presence Pilot Programme
FTE	full-time equivalent
GEF	Global Environmental Facility
GM	Global Mechanism for the Implementation of the Convention to Combat Desertification
HIPC	Heavily Indebted Poor Countries
ICSC	International Civil Service Commission
IEE	Independent External Evaluation of IFAD
IFIs	international financial institutions
ILC	International Land Coalition
IMI	IFAD Initiative for Mainstreaming Innovation
IP(s)	institutional priority
MDGs	Millennium Development Goals
MFI	microfinance institution
NEPAD	New Partnership for Africa's Development
OE	Office of Evaluation
OECD	Organisation for Economic Co-operation and Development
PBAS	Performance-Based Allocation System
PDFF	Programme Development Financing Facility
PPR	Portfolio Performance Report
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
PRSP	Poverty Reduction Strategy Paper
RIMS	Results and Impact Management System
SCP	Strategic Change Programme
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

1. As endorsed by the Executive Board in September 2005 during its discussion of the strategic priorities and the programme of work and budget for 2006, IFAD's objective in 2006 will be to maximize the level and quality of its assistance for rural poverty reduction in a way consistent with its capabilities and resources. The 2005 World Summit recognized that performance in reaching the Millennium Development Goals (MDGs), including the goals of halving the number of people living in hunger and extreme poverty, is very mixed. An extra effort has to be made, and investment in agricultural and rural development must be an essential part of that effort. IFAD's expanded programme of work and budget for 2006 represents its contribution in this direction – and a shift in gear to quicken the pace of work to achieve the goals of reducing extreme poverty and hunger by half.
2. Consistent with resource availability, the proposed programme of work includes a 10% increase in the programme of loans and grants – to USD 550 million. Delivering the lending programme within the framework of the IFAD Performance-Based Allocation System (PBAS) requires that 37 projects be presented to the Executive Board in 2006, a 32% increase over 2005. This increase in the programme of new loans and grants, and the necessary expansion of the number of projects to deliver it, is the main driver of IFAD's first departure from a zero-real-growth budget policy in a decade.
3. IFAD's activities for rural poverty reduction are not limited to developing and financing new projects and grants. They also involve supervision and implementation support to ensure the impact of the portfolio – expected to reach 256 projects by the end of 2005, with a total value of USD 3.9 billion – as well as engagement in policy dialogue and communications to highlight rural poverty reduction challenges and solutions. Heightening impact, therefore, is not just a matter of making **new** high quality commitments, but also of using **existing** investments, instruments and capacities to the utmost. In addition, it involves ensuring that provision is made for management of risk, including corruption.
4. IFAD has operated for over a decade within a zero-growth budget framework. However, the Fifth and, especially, the Sixth Replenishments added significantly to the functional responsibilities and operations of the Fund, and that has been reflected in investment in expanding capabilities for impact. Moreover, the lending and grants programme itself has grown consistently since 2001. The capacity to sustain further improvements in the quality and the quantity of IFAD's assistance on a zero-real-growth basis has been exhausted. At its Eighty-Fifth Session in September 2005, the Executive Board recognized that the programme of work must be expanded for IFAD to play its role in the global poverty reduction effort, and that the budget must expand correspondingly to support this broader programme of work. It has also been suggested that IFAD should take the opportunity offered by the 2006 budget exercise to review and rationalize one-time costs. The drive to increase impact on rural poverty in 2006 must embrace both commitments and the effective use of existing instruments. The proposed budget for 2006 has been designed to serve both these thrusts.
5. It is proposed that the IFAD budget to support the expanded programme of work for 2006 (comprising a 32% increase in the number of projects and a 10% increase in the value of loans and grants) should include a 27.5% nominal increase in support for activities covered under the Project Development Financing Facility (PDFF) and a nominal increase of 9.7% in support for activities covered under the Administrative Budget. The PDFF increase directly reflects the increased number of projects to be developed (under the so-called PDFF "A" heading), as well as a combination (under the PDFF "B" heading) of price increases for project supervision, an increase in the number of projects under implementation, and provision of the enhanced implementation support called for by members and by the agreement at completion point for the evaluation of IFAD's Direct Supervision Pilot Programme.

6. Overall, some 90% of the proposed increase in the budget is derived from: (a) increased support to the projects and grants programme of work directly for quantity expansion and quality improvement (65%); and (b) price increases (25%). Some 10% of the increase is derived from the implementation of other major initiatives called for by the governing bodies, such as combating corruption, risk management, policy development and dialogue, communications and strategic budget management.

7. As in previous years, the proposed budget does not involve an increase in the number of staff posts within IFAD. However, it does involve an increase in fixed-term, non-post-based recruitments as well as short-term temporary staff to serve expanded operations for impact. This recruitment is, of course, within the proposed budget envelopes for 2006 and reflects the manpower requirements of delivering the programme of work: hence an increase of 11.5 full-time equivalents (FTEs) financed under the PDFF (from 30.5 to 42). A 15.8% increase in FTEs would be financed under the Administrative Budget. A significant number of the new fixed-term appointments within this increase would reflect a strategy of cost-saving in the Office of the Secretary by placing translation services on a basis that is less costly than short-term consultancies. Overall, the level of FTEs would rise by 12.9%, taking into account reductions in FTEs financed under one-time costs (-76%).

8. IFAD is committed to supporting the strengthening of capacity in priority and growth areas through internal efficiency savings and realignment of activities. In the short term, the principal source of efficiency gains will be the implementation of the Strategic Change Programme (SCP), and initial measured gains from the SCP are noted in a new section on savings. It is anticipated that further efficiency gains from the SCP will be realized when the results of the workload survey are available. Efficiency gains under the Action Plan will be reallocated to reflect changed priorities, changed processes, and greater mobilization of local and international partnership.

9. The year 2006 is the last one before the Seventh Replenishment period commences, which will be marked by major operational changes under the proposed Action Plan. It is also the last year of the Sixth Replenishment and the implementation of its far-reaching recommendations for improved development effectiveness. The 2006 budget combines full implementation of Sixth Replenishment recommendations with a quantitative expansion of assistance. Many of the changes and capacity developments under the Sixth Replenishment will be pillars of IFAD's new operating model, and their consolidation in 2006 will be an essential component of ensuring that there is not a development effectiveness hiatus in IFAD while the details of the Action Plan are further elaborated and implemented. With the proposed 2006 Programme of Work and Budget, IFAD will be ready to enter the Seventh Replenishment period on the basis of a robust development assistance and impact model which the Action Plan will further strengthen – but which will also be a very solid basis for increased impact.

INTRODUCTION

1. As in previous years, this document is divided into three parts, the first dealing with IFAD, the second with the Office of Evaluation and the third with the recommendations being made to the Executive Board.
2. Within Part One, the programme of work is presented in Section I, showing the proposed lending and grant envelopes. This section also discusses the numerous other and ongoing initiatives that the Fund has undertaken in recent years at the behest of its governing bodies.
3. Section II of Part One provides an overview of the proposed budget by major budget heading and a breakdown of proposed expenditures against objectives and institutional priorities. It further provides a detailed breakdown of net changes in the proposed budget vis-à-vis the 2005 budget with appropriate justifications relative to the expanded work programme and priority initiatives mandated by IFAD's governing bodies. In response to the Executive Board's request to closely review the one-time costs, their level has been reduced from USD 3.5 million in 2005 to USD 0.4 million in 2006. Part of the reduction is a result of the transfer of ongoing costs into the Administrative Budget; consequently, the net changes between years of the Administrative Budget and one-time costs, respectively, have been reviewed together. Detailed consideration is given to: the cost drivers behind the expansion of the PDFF "A" and PDFF "B" headings; the rationale for and use of carry-overs under the PDFF; and the mobilization of human resources under the proposed budget. For the first time, Section II also now includes a report on savings and efficiencies.
4. Section III of Part One describes the resources available to the Fund. Section IV is dedicated to budget execution and trends, in response to a request from the Executive Board. Particular attention is paid to evolution of the Administrative Budget and staff costs, and the impact of exchange rate changes on the former. In an effort to further increase disclosure and transparency and in response to requests from the Board regarding data on budget execution, the review of prior year actual results versus approved budget are presented as a new addition in Annex VII. The draft results for the third quarter of 2005 are presented in Annex VIII and should be interpreted in the light of the description of the PDFF carry-over provided in Section II.

PART ONE – 2006 PROGRAMME OF WORK AND BUDGET OF IFAD

I. PROGRAMME OF WORK

5. Within the context of the current Strategic Framework (2002-2006), the supporting institutional priorities, and its underlying resource management policies, the Fund is committed to maximizing the level and quality of its programme of work. The programme of work for 2006 is proposed at a level of USD 550 million (SDR 379.49 million),¹ an increase of 10% in USD terms and 12% in SDR terms over the 2005 level.

Table 1: Summary of Programme of Work

	USD million				SDR million			
	2005	2006			2005	2006		
	Approved @ 1.4806	Proposed @ 1.4493	% of Total	% Increase in USD Terms	Approved	Proposed	% of Total	% Increase
Loans	450	495	90%	10%	303.9	341.54	90%	12%
Grants ^a	50	55	10%	10%	33.8	37.95	10%	12%
Total	500	550	100%	10%	337.7	379.49	100%	12%

^a Inclusive of ex-grants transferred to the PDFF.

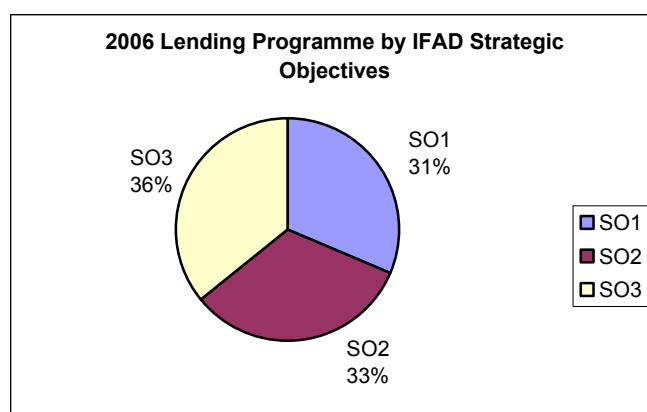
A. Lending Programme

6. As indicated in Table 1, IFAD's **lending** programme is proposed at a level of USD 495 million (SDR 341.54 million), representing an increase over 2005 of 10% in USD terms and 12% in SDR terms. The increased lending programme and implementation of the Performance-Based Allocation System (PBAS) will have the combined effect of increasing the number of projects in 2006. The lending programme is expected to finance at least 37 projects (32% increase over 2005) that are to be submitted to the Executive Board during 2006.

7. The programme of work by regions is presented in Annex I. Proposed loan activities are programmed to address the Strategic Framework objectives (SOs):

- **SO1** Strengthening the capacity of the rural poor and their organizations
- **SO2** Improving equitable access to productive natural resources and technology
- **SO3** Increasing access to financial services and markets

¹ SDR/USD exchange rate of 1.4493.



B. Grant Programme

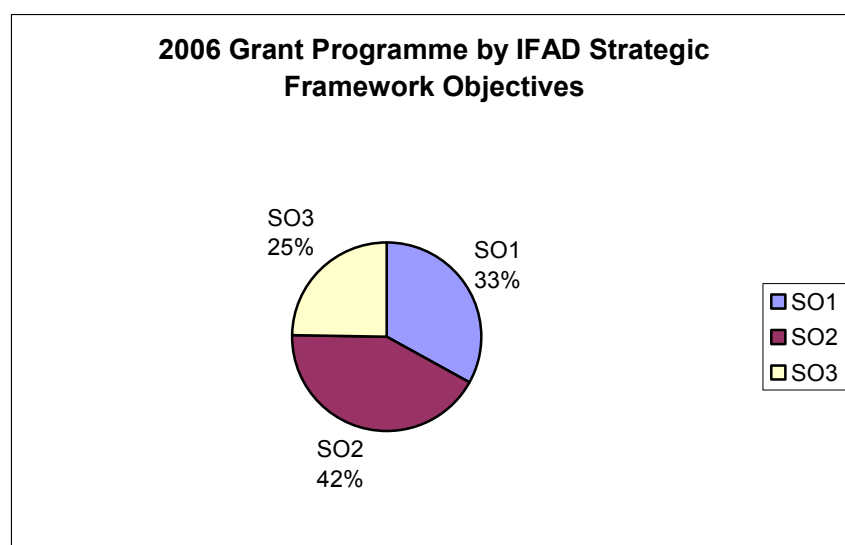
8. In line with the overall increase in the programme of work, the 2006 grant programme is expected to increase from USD 50 million to USD 55 million. The allocation modalities of IFAD's Policy on Grant Financing stipulate that 50% of grant resources will be channelled through the window for grants at the global and regional levels, while the remaining 50% will be channelled through the country-specific grant window² (see Table 2).

Table 2: Proposed 2006 Grant Programme

	USD million				SDR million			
	2005	2006			2005	2006		
	Approved @ 1.4806	Proposed @ 1.4493	% of Total	% Increase in USD Terms	Approved	Proposed	% of Total	% Change
<i>Country Grants</i>	11.5	10.5	19%	-9%	7.8	7.2	19%	(8)%
<i>Transfer to PDFF</i>	13.5	17	31%	26%	9.1	11.7	31%	29%
Total Country- Specific Window	25	27.5	50%	10%	16.9	18.9	50%	12%
Global/Regional Window	25	27.5	50%	10%	16.9	19	50%	12%
Total Grants	50	55	100%	10%	33.8	37.9	100%	12%

9. Grants under the global/regional window will focus on initiatives to create new options for poverty reduction by promoting knowledge and information exchange through regional research and innovation networks. Grants under the country-specific window, which is directly linked to the loan portfolio, will focus on SO1 and institutional capacity-building. The Country Grants heading as a whole includes both country-specific grants and the transfer to the PDFF in support of project development. The significant increase in the number of projects to be developed in 2006 calls for a higher percentage of the overall Country Grants resources to be transferred to the PDFF.

² Including ex-grant items transferred to the PDFF (country).



C. Major Initiatives

10. Quality lending and grant programmes cannot be delivered in isolation, but require ongoing review and strengthening of related and supporting policies and processes, including those recommended by the Sixth Replenishment (IFAD VI) or prompted by increased international concern with governance and combating corruption, including within international organizations themselves. In addition to delivering the programme of work, IFAD staff was involved in nine major initiatives during 2004 and 2005. These initiatives, the majority of which were requested as a result of IFAD VI consultations, are listed in Box 1. Box 2 lists the key policy documents approved or proposed during 2004 and 2005.

11. Significant progress has been made in addressing internal audit recommendations and the external auditor's internal control recommendations. In 2004, 130 internal audit recommendations were implemented, representing the highest achievement for any single year since the Office of Internal Audit began maintaining statistics in 1998. The assessment of recommendations for 2005 will be conducted in February 2006, and it is expected that a comparable number will have been implemented, particularly following the issue of the new Human Resource Procedures Manual and the Travel Manual. Some 17 internal control recommendations made by the external auditor also were fulfilled between February 2004 and May 2005.

12. Crucial work will need to be done in 2006 to finalize initiatives launched by the Sixth Replenishment and respond to urgent concerns about risk management and combating corruption. The major areas of work proposed are described in Section II.B, below.

Box 1. Major Initiatives during 2004 and 2005

1. Implementation of the Performance-Based Allocation System
2. Implementation of a Framework for a Results and Impact Management System for IFAD-Supported Country Programmes
3. IFAD's Asset Liability Management Framework
4. Process Re-Engineering Programme (Strategic Change Programme)
5. Participation in the Debt Initiative for Heavily Indebted Poor Countries
6. IFAD Initiative for Mainstreaming Innovation
7. Independent External Evaluation of IFAD
8. Field Presence Pilot Programme
9. Establishment of an Independent Office of Evaluation

Box 2. Key Policy, Strategy and Other Documents Prepared in 2004 and 2005

1. IFAD Policy on Crisis Prevention and Recovery
2. IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations
3. IFAD Policy on Sector-Wide Approaches for Agriculture and Rural Development
4. IFAD's Private-Sector Development and Partnership Strategy
5. Guidelines for the Procurement of Goods, Works and Consulting Services under IFAD Loans and Grants
6. Human Resources Policy
7. Policy on Grant Financing
8. Memorandum of Understanding for a Cooperation Framework between IFAD and the New Partnership for Africa's Development (NEPAD)
9. IFAD's Participation in the Harmonization Initiative and the Paris High-Level Forum on Aid Effectiveness
10. Progress Report on IFAD's Response to the Tsunami
11. Second Annual Report on the Results and Impact of IFAD Operations
12. IFAD's Action Plan for Management's Response to the Independent External Evaluation of IFAD
13. Accession of IFAD to the Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations
14. Cooperation Agreement with the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
15. Cooperation Agreement between IFAD and the Organisation for Economic Co-Operation and Development
16. Memorandum of Understanding between IFAD and the Secretariat of the Global Environment Facility on Direct Access to GEF Resources

II. BUDGET OVERVIEW AND REASONS FOR DEPARTURE FROM ZERO REAL GROWTH

A. Overview of Budget and Uses

13. Table 3 below summarizes the consolidated budgets that underpin IFAD's development impact and effectiveness, including the special programmes. The budget increases support: the expanded programme of work (new loans and grants); enhanced support for the development impact of the existing portfolio; and expanded capacity to play a catalytic role in the development community. When comparing 2005 and 2006, the total resources that are used to support operations of the Fund should be compared on a consolidated basis due to the transfer of costs into the Administrative Budget in an effort to simplify and to ensure that ongoing costs are included within it. This is further discussed in Section B below, which describes the main drivers for the departure from zero real growth.

Table 3: Summary of IFAD Consolidated Budgets and Special Programmes

	2005	2006	Net Change	
			USD '000	%
IFAD				
Administrative Budget	53 303	63 639	10 336	19.4%
One-Time Costs	3 573	382	(3 191)	(89)%
	56 876	64 021	7 145	12.6%
Canadian Complementary Funds ^a	1 511	0	(1 511)	(100)%
Sub Total	58 387	64 021	5 634	9.7%
Programme Development Funding Facility (PDFF)	29 968	38 216	8 248	27.5%
Management Fees	2 824	2 474	(350)	(12)%
Total Consolidated Budgets	91 179	104 711	13 532	14.8%
Special Programmes				
Field Presence Pilot Programme (Annex XXIII) ^b	1 200	300		
UK Complementary Funds – IMI ^b	6 000	1 250		
Direct Charges Against Investment Income (Annex XXI)	6 829	5 520	(1 309)	(19)%

^a The Canadian funds have been used to support IFAD VI initiatives, such as asset liability management (ALM) and strengthening the Strategic Planning and Budget Division, and therefore are grouped together with the Administrative Budget.

^b These special programmes span several financial years; the amounts shown in the table represent the additional amounts requested in that particular year. Net change is therefore not applicable.

14. The net changes in the proposed consolidated budgets for 2006 to support, inter alia, a 32% increase in the number of projects and a 10% increase in the programme of work amount to USD 13.5 million, including a 27.5% increase in the PDFF and a 9.7% increase in the Administrative Budget. Table 4 shows that 65% of the change is related to the increase in the programme of work and 10% relates to governance and organizational issues and work related to the current major initiatives. Some 25% is a result of price increases. Further details of these changes are presented in Table 6.

Table 4: Summary of Net Changes

	USD '000	%
Price/cost increases	3 390	25%
Relating to expanded programme of work	8 861	65%
Other IFAD VI and priority initiatives	1 281	10%
Total Net Change	13 532	100%

15. The planning and formulation of the 2006 budget reflect: the strategic objectives that guide resource allocation; the staffing framework and other operational and administrative requirements; the expected increase in lending volume over 2005; and the need to complete and fully operationalize the IFAD VI initiatives. Table 5 summarizes the proposed use of the consolidated budgets according to the eight institutional priorities. The overall increase of 14.8% corresponds to the 14.8% total increase in the consolidated budgets.

Table 5: 2006 Proposed Use Against Institutional Priorities

	Total 2005 ^a	Admin. Budget	PDFF	OTC	Manag't Fees ^c	Total 2006	% Change
IP1: Manage loan/grant-funded country programmes for results	32 557	7 164	32 253	0	98	39 515	21%
IP2: Manage grant-funded research and capacity-building programmes for results	2 372	2 157	1 623	0	59	3 839	62%
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	10 414	9 966	3 170	0	368	13 504	30%
IP4: Manage knowledge relevant to effective rural poverty reduction	3 816	3 529	626	0	137	4 292	12%
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	6 642	5 365	83	0	993	6 441	(3)%
IP6: Build strategic partnerships with other actors in rural poverty reduction	2 906	3 027	339	0	59	3 425	18%
IP7: Develop innovative approaches to rural poverty reduction ^b	1 005	643	60	0	4	707	(30)%
IP8a: Institutional governance	9 470	9 247	27		25	9 299	(2)%
IP8b: Institutional management	21 997	22 541	35	382	731	23 689	7.7%
Total	91 179	63 639	38 216	382	2 474	104 711	14.8%

^a The 2005 totals also include the use of the Canadian complementary funds.

^b Annex XXII provides details on the Initiative for Mainstreaming Innovation funded by complementary funds from the United Kingdom of Great Britain and Northern Ireland.

^c Management fees include fees from the Global Mechanism, the International Land Coalition and from administering the Supplementary Funds.

16. The 21% and 62% increases in IP1 and IP2 in 2006 reflect the increase in the programme of work in both dollar terms and number of projects. Reflecting the further implementation of the recommendations of the Sixth Replenishment, knowledge management (IP4), promoting poverty reduction policies (IP3) and building strategic partnerships (IP6) show increases in 2006 ranging from 12% to 30%. As might be expected, IP5 – relating to resource mobilization – is not increasing following a replenishment year. Institutional management (IP8b) shows an increase of 7.7%, reflecting the increased administrative costs that will be required to support the level of activity in 2006. IP8b also includes activities related to organizational strategy and management; the costs of the Strategic Planning and Budget Division are largely contained within this priority. Institutional governance (IP8a) shows a decrease in 2006 due to the fact that one-time costs in 2005 included the Seventh Replenishment budget.

17. The development of innovative approaches to rural poverty reduction (IP7) shows a decrease of 30%, but this does not mean that the Fund has not and will not be engaged in innovative activities. On the one hand, there are still some pending issues of activity classification, with, for example, a tendency to roll a number of discrete elements together under broad headings of “management” under IP1 and IP2. Secondly, and more importantly, specific and additional innovation work is taking place using the complementary contribution from the United Kingdom of Great Britain and Northern Ireland for the Initiative for Mainstreaming Innovation (IMI). During 2005, USD 2.2 million is expected to be approved for specific innovation proposals, and the total amount to be spent over 2005-2006 is expected to be USD 7.25 million (see Table 10). The IMI Secretariat and Screening Committee are operating, with eight innovation proposals approved in 2005 as of this writing. Further details are presented in Annex XXII.

B. Net Changes

18. The proposed net changes between 2005 and 2006 are presented in Table 6, for each component budget as well as on a consolidated basis. The Administrative Budget and one-time costs budget have been reviewed as one, pursuant to the transfer of costs into the Administrative Budget after a detailed review of the one-time costs. The items in Table 6 elaborate on Table 4 and on the factors noted in the Strategic Priorities and Programme of Work and Budget of IFAD 2006 paper presented to the September 2005 session of the Executive Board (e.g. implementation of the anti-corruption policy and strengthening of various functions within IFAD). Explanations for net changes indicated in Table 6 are provided below. To assist in the review of these changes, the table is keyed to the relevant text sections discussing the change.

Table 6: Breakdown of Net Changes in Consolidated Budgets

Description	Reference Paragraph(s)	Amount (USD '000)	%
Price/cost increases			
Price increases in staff costs and inflation for non-staff costs	19	2 126	3.7%
Cost increases	19	598	1.1%
Expanded programme of work			
Increase in the programme of work and the number of projects	20	1 279	2.2%
Major initiatives			
IFAD VI tasks	21	619	1.1%
Commitment to increase training	22	200	0.4%
Alignment of recurrent costs into the Administrative Budget from SCP	23-25	320	0.6%
Governance and organizational			
Anti-corruption policy, risk management and business continuity	26-27	650	1.1%
Consolidation of Policy, Communications and Strategic Planning and Budget divisions	28-29	2 350	4.1%
Reduction and regularization of one-time costs	30	(997)	(1.8)%
Total Administrative Budget and One-Time Costs		7 145	12.6%
PDFF price increases		666	2.2%
Programme of work increase			
PDFF A		4 281	14.3%
PDFF B		3 301	11.0%
Total PDFF		8 248	27.5%
Total Management Fees		(350)	(12)%
Total Canadian Complementary Funds		(1 511)	(100)%
Total		13 532	14.8%

19. **Price and cost increases.** The Administrative and One-Time Cost budgets combined show an increase of 12.6%, reflecting price increases of 3.7% and a real increase of 8.9%. The price increases are made up of a 2% inflation rate applied to non-staff costs and an increase in staff costs of approximately 4%. The staff cost components and the methodology for calculating the standard costs are explained in Annex II. In addition to these regular staff cost and inflationary increases, the Fund is facing cost increases in the following areas:

- Medical services were increased during 2005, providing for the doctor to visit IFAD three times a week, as well as the services of a staff counselor for six hours per week.
- UN Committee charges are expected to increase based on 2005 invoices (International Civil Service Commission, Chief Executives Board and the United Nations Security Coordinator).
- Waste disposal costs will increase as a result of the cost of differentiated waste removal.

20. **Increase in the programme of work and the number of projects.** The strengthening of operations is a priority to enable the delivery of the substantially increased programme of work. An increase in the programme of work and number of projects means an increase in the number of staff

required to deliver the higher number of projects, and also has an impact on service divisions in terms of additional requirements for equipment, increased level of servicing (printing, general administration, etc.), higher utility bills due to increased usage, and increased level of recruitment, particularly in the area of consultants. Although the Secretariat is proposing that the length of Executive Board documents be reduced by some 10%, the expanded programme of work will increase the volume of documents to be processed (with the resulting editing, translation, printing and delivery costs), thus offsetting potential reductions. Savings in the area of governing body meetings may be feasible if certain conditions can be met (see section below on savings/efficiencies and trade-offs). Support for the increased volume of projects in 2006 accounts for approximately 2.2% of the proposed nominal 12.6% increase in the Administrative Budget.

21. **IFAD VI tasks.** As mentioned in Section I.C above, IFAD staff has been involved in nine major initiatives during 2004 and 2005. Although some of the work has been absorbed by current staffing and resources, additional funds are required for the revision of regional strategies, introduction of increased quality control measures, emphasis on increasing partnerships and cofinancing, and all the support costs associated with these activities.

22. **Increased training.** Training is a fundamental element of building staff competencies. The Action Plan will also include provision for competency and management training, but it is important that training, within the Administrative Budget, be gradually increased to a level in accordance with best practices (i.e. at least 2% of staff costs).

23. **Alignment of recurrent costs into Administrative Budget from the SCP.** Several of the PeopleSoft modules envisaged under the first phase of the SCP have been operating in an integrated manner within a context of decentralized accountability and responsibility since 1 January 2005. These modules have been rolled out to staff across all IFAD divisions, the Global Mechanism, the Belgian Survival Fund and the International Land Coalition. Overall, this first year of implementation can be considered very successful, but as is generally the case with enterprise resource planning implementations of this scale, the initial period is characterized by a very steep learning curve, teething problems, and a need to carry out process and system refinements in the light of experience gained with the system in full operation.

24. The first phase of the SCP is reaching its end in 2005, and the related budget has been fully depleted. Implementation of the final modules under Phase I culminated in January 2005, and it is expected that a number of years will be required for the system to stabilize and for the full benefits to be reaped. Therefore, certain expenditures required in 2006, mainly for technical support that were previously funded from the SCP budget, need to be included in the Administrative Budget for 2006. At the same time, two temporary staff need to be kept to perform the duties of staff required to continue supporting implementation of the human resources module.

25. During 2005 significant efforts were dedicated to training and help-desk activities, and to providing high-quality and timely technical support. This kind of support will continue to be required in 2006, but with relatively greater emphasis on refresher training, provision of required value-added and reporting functionalities.

26. **Anti-corruption policy, risk management and business continuity.** Governance and risk issues have been prominent in recent years and IFAD must ensure that it addresses these issues by adopting best relevant international practice. Ongoing risk management has been mainstreamed into the budget process, as was explained in the strategic priorities and programme of work paper presented to the September session of the Board.

27. Besides the ongoing identification and assessment of risks by management, a number of additional measures must be taken. The Fund's anti-corruption policy will be implemented in 2006

and will require additional resources in order to maintain the level of regular internal audit work. Furthermore, business continuity is a significant business risk, and the Fund requires additional insurance and funds for disaster recovery measures in the information technology area.

28. **Consolidation of the Policy, Communications and Strategic Planning and Budget divisions.** The Policy Division, the Communications Division and the Office of Strategic Planning and Budget were established during a period of zero-real-growth budget, and had to be financed through internal reallocations of administrative resources and the mobilization of supplementary and/or complementary contributions. Quite often, the share of funding from supplementary and/or complementary resources was, and still is, higher than the resources from the Administrative Budget.

29. The roles, responsibilities and focus of these divisions are now well defined, and the divisions have become integral to the fulfilment of the organization's mandate and operation. Taking all funding sources into consideration, these divisions' long-term viability is at risk as long as they have to rely so heavily on resources that are by nature uncertain and volatile. Thus, management proposes the full integration of these divisions into the Administrative Budget.

30. **Reduction and regularization of one-time costs.** During the review of the 2005 Programme of Work and Budget, the Audit Committee and the Executive Board requested that management review the one-time costs. Any costs not strictly of a one-off nature (amounting to some USD 1.9 million) have been included in the Administrative Budget – hence the reason for considering both budgets together. The one-time costs presented for 2006, as shown in Table 7, have been closely reviewed to ensure that they are non-recurring in nature.

Table 7: One-Time Costs for 2006

(USD '000)		
Description	2005 GC Approved Budget @ 0.819 EUR/USD	2006 Proposed Budget @ 0.819 EUR/USD
IFAD VII Consultations	1 626	
IFAD premises	608	
Oversight, IEE, and legal services	391	
Human resource initiatives ^a	948	301
Workstation deployment ^b		81
Total	3 573	382

^a The pay-for-performance pilot test implementation is one of the various strategic human resource initiatives launched in 2004. Since this pilot will run into 2006, the amount of USD 300 918 is requested.

^b The lease period for the respective workstations expires in 2006. The commencement of the new lease and upgrade to the new workstations will involve a series of extra activities in addition to the normal day-to-day operations provided by the Management Information Systems Division. The estimated cost of this project is approximately USD 81 000.

Programme Development Financing Facility

31. The increases in the PDFF budget are the most important factor in the increases proposed under the 2006 budget. The Programme Development Financing Facility (PDFF) was established in 2001, pursuant to a decision of the Governing Council, to finance all activities required for the design and implementation of projects/programmes financed by loans and grants from a single source. A key operational resource, it also covers country and regional strategy development, particularly in the context of Poverty Reduction Strategy Papers (PRSPs).

32. The increase in the lending programme is expected to finance at least 37 projects during 2006, compared with 28 in 2005. The proposed increase in the number of loans is a result of the introduction of the PBAS in 2005. The PBAS establishes country allocations for each potential borrowing member; with the system as presently configured, several countries have received allocations below historical or efficient and effective lending levels. In order to meet the planned programme of work lending levels in some regions, it has been necessary therefore to include additional projects to make up for the lower-than-expected loan amounts of other projects in the regional lending programmes. Depending on the final loan amounts (which will be determined during formulation and appraisal) of the projects being presented to the Executive Board in 2006, an estimated five or six of the additional projects will be due to the effect of PBAS allocations.

33. The PDFF level proposed for 2006 is approximately USD 38.2 million, representing an increase of 27.5% over the approved level for 2005. The increase can be better understood when the two distinct parts of the PDFF are considered separately. PDFF requirements originate from two sources: PDFF "A" for pipeline development (where the increase is 33%) and PDFF "B" for the ongoing project portfolio (an increase of 23%). The variations in these respective increases reflect, as would be expected, the effect of the increase in the 2006 programme of work lending levels and the focus on programme development in the short term but also the renewed emphasis on the attainment of project impact in the medium to longer term.

34. PDFF "A" supports not only the development of new loan projects but also the country-specific grants scheduled for Executive Board approval in 2006. In addition, the loan projects being developed in 2006 include reserve projects for the 2006 programme of work (as noted in Annex I) and initial work on the 2007 pipeline. PDFF "A" also provides financing for work on country strategic opportunities papers (COSOPs), new regional strategies, the PBAS rural sector performance review, and project start-up activities (previously budgeted outside the PDFF as a separate Special Operations Facility grant), PRSP-related work, environmental assessments and, most recently, the increased emphasis on joining the harmonization and alignment agendas.

35. These activities, and the consequent increases in PDFF "A", are driven by the first three institutional priorities (IP1 – Manage loan/grant funded country programmes for results; IP2 – Manage grant funded global and regional programmes for results; and IP3 – Promote enabling poverty reduction policies and strategies). The development of new loans and grants in 2006 (IP1) is the principal cost driver with the formulation, appraisal and negotiation of new loans and country-specific grants accounting for 53% of the requested increase in PDFF "A". It should also be noted that the project cycle is itself increasingly built around in-country processes that rely more and more on participatory processes that take longer to reach the necessary conclusions. In parallel to these IFAD-specific processes, IFAD's endorsement of the Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability has further focused IFAD's project development in-country, with the respective governments, with initiatives supported through PDFF.

36. PDFF "A" is also the source of funding for regional strategy work and COSOPs, as noted above. The increased emphasis on these initiatives in 2006 is responsible for 7% of the increase in PDFF "A". In addition, for 2006, PDFF "A" includes the recovery of costs associated with the tsunami-related projects formulated in 2005 in India, Indonesia, Maldives and Sri Lanka, for which funds needed by other projects and programmes were used as an interim measure but the original requirement remains. Finally, while cofinancing is still a feature of many IFAD projects, there has been an increasing trend over the past 10 years towards project initiation by IFAD, as opposed to projects coming from the pipelines of other multilateral financial institutions (MFIs). IFAD therefore absorbs more of the development costs that were once borne by the cofinancing MFIs.

37. PDFF “B” provides the financial resources for implementation of the loan and grant portfolio and delivery of the results reporting and impact framework. Driven principally by Institutional Priorities 1 and 2, this accounts for 98% of the PDFF “B” expenditures. The main costs (54%) in PDFF “B” are the annual contractual charges for the services of cooperating institutions to administer and supervise the portfolio. Increases in these charges in 2006 represent 39% of the overall PDFF “B” increases.

38. This increase is due to a 14.5% increase in the size of the prospective 2006 portfolio in full project equivalents (225 in 2006 compared with 196.5 in 2005); and a different mix of cooperating institutions in the portfolio with the consequent change in the mix of scales of charges. The increase in the size of the portfolio is due to: an upward trend in the number of approved projects in 2005; the approval of four or five additional tsunami-related projects; and the impact of project extensions.

39. With regard to project extensions, the Board was informed at its April 2005 session³ that, of the 16 projects extended for the first time, 12 were extended following procedures adopted in January 1999 regarding restated implementation periods. Neither loan amounts nor project activities have changed but the project implementation period has been formally established as from the date of loan **effectiveness**. This facilitates operational and budget planning at the project level and more accurate monitoring of disbursement activities and trends. In effect, while this procedure redefines the start and end dates of project activities, the total charges for cooperating institutions’ services remain constant as the dates at which those charges commence and cease has moved along the project time-line.

40. The introduction of a different mix of cooperating institutions in the portfolio is in response to the Independent External Evaluation of IFAD (IEE) and recent evaluations by IFAD’s Office of Evaluation, with the Fund aiming to improve administration and supervision through a more balanced spread of projects among its cooperating institutions, e.g. United Nations Office for Project Services (UNOPS), the World Bank and the Andean Development Corporation. The administration/supervision costs of some cooperating institutions, particularly the World Bank, are above those of UNOPS, which has an impact on the costs of the overall cooperating institution envelope. The costs and benefits of different suppliers and service mixes will be further reviewed in 2006.

41. Apart from the contractual charges of the cooperating institutions, the other cost drivers (and increases) in PDFF “B” come from an increase in the follow-up and other implementation support measures for both loans and grants. This is a result of the expansion in the portfolio and of the greater focus on qualitative aspects, in line with delivering on IFAD VI commitments and the agreement at completion point for the evaluation of IFAD’s Direct Supervision Pilot Programme. The increase anticipated in implementation follow-up by IFAD staff and consultant support represents 19% of the overall PDFF “B” increases for 2006. This would be concentrated in regional divisions’ follow-up on results management at the project level and impact reporting – including the need for responsive project review processes that support mid-course corrections in projects.

42. Greater dialogue with borrowers has been needed during implementation and during the project completion phase, when the reporting requirements on impact achievement are especially arduous. (5% of the increase in PDFF “B” is attributable to the requirements for completion reports, with the ancillary benefits for knowledge-sharing). Finally, a further cost driver for the increase in PDFF “B” is the increase in the costs associated with implementation follow-up of the global and regional grants (which represents 11% of the overall PDFF “B” increases in 2006) supporting both research programmes and regional initiatives for partnership development and knowledge-sharing.

³ Portfolio Performance Report (document EB 2005/84/R.38).

43. **The roles of the PDFF carry-forward procedure.** One of the reasons for establishing the PDFF was to have a “financial facility” to support the entire project/programme development process, recognizing that the project/programme development cycle was not necessarily aligned with a single fiscal year of the organization. Secondly, the lack of precise data for the actual levels of resource availability for the following and subsequent years made project/programme development planning a more difficult exercise.

44. Allowing predetermined and output-related funding to be utilized over a time period driven by the needs of project formulation and implementation, rather than by annual fiscal requirements, has several advantages:

- Resources for the project cycle are more predictable
- Resources for activities having reached agreed milestones, if not used prior to year-end, can be carried forward for a maximum period of three years
- Divisions can manage resources according to the needs of the project/programme and respond to emerging issues during design and implementation
- The need to spend as a result of accounting/financial regulations is eliminated with a consequent shift in focus towards the output created with the resources used, i.e. results-based management

45. The carry-forward requirements of regional divisions for 2006 would typically (as for previous years) include formulation or appraisal missions that were taking place between 2005 and 2006, or where the inception process has begun in 2005 with formulation to take place in 2006. Approval for carry-forward follows adherence to specific milestones is recorded by the corporate financial system and is linked to specific outputs.

46. Other uses of carry-forward include the start-up costs for projects approved at December sessions of the Executive Board that need to be carried forward to the subsequent year when the actual start-up activities can take place. When the individual costs of such activities (USD 50 000 to USD 100 000) are consolidated, the carry-forward requirements can become significant. Similarly, implementation activities and project completion reports can also benefit from this approach.

C. Human Resources

47. Table 8 shows an overall increase of 12.9% in the number of FTEs proposed for 2006 compared with 2005. The largest increase is in the PDFF (37.2%), reflecting the fact that direct support for operations will be the major staffing priority in 2006. The increase of 15.8% in FTEs within the Administrative Budget is partly due to the need to respond to the service needs of the department delivering the increased programme of work. The table also illustrates reductions and transfers from other funding sources, including a 75.9% decrease in FTEs under one-time costs.

**Table 8: Summary of Human Resources Proposed for 2006
(By Source of Funding)**

Number of Full-Time Equivalents ^a						
	Total 2005	Continuous	Fixed- Term	Temporary Staff	Total 2006	% Increase
Administrative Budget (Annex XIII)	351.54	205.67	182.00	19.29	406.96	15.8%
PDFF (Annex XV)	30.48	0	40.76	1.05	41.81	37.2%
One-Time Costs (Annex XIV)	15.94	0	1.83	2.00	3.83	(75.9)%
Subtotal	397.96	205.67	224.59	22.34	452.60	13.7%
Supplementary Funds and APO Administrative Budgets (Annex XXI)	24.42	3.00	20.62	1.00	24.62	0.8%
Total	422.38	208.67	245.21	23.34	477.22	12.9%

^a Full-Time Equivalent (FTE) = 12 months. Part-time represents 0.67 or 0.70 or 0.80 of one FTE.

48. The presentation of human resources differs from last year due to the introduction of the new Human Resources Policy. The Human Resources Policy Manual specifies that staff is to be classified in the three categories shown in Table 8 above, namely; “continuous” (seven or more years of service), “fixed-term” (one year contracts) and “temporary” (contracts of less than one year). Staff holding a regular approved post fall under either the continuous or the fixed-term categories and are included in the totals shown above. Annexes XII to XVIII analyse human resources in detail and show both the regular posts as well as total human resources.

Table 9: Staff Levels (By Department)

Number of Full-Time Equivalents				
Department	2005	2006	Increase 2005-2006	% Increase
External Affairs Department (EAD) ^a	83.71	102.26	18.55	22.2%
Finance and Administration Department (FAD)	151.49	165.55	14.06	9.3%
Office of the President and Vice-President (OPV Group)	44.46	50.08	5.62	12.6%
Programme Management Department (PMD)	142.73	159.33	16.60	11.6%
Total	422.39	477.22	54.83	12.9%

^aSee paragraph 50.

49. The increase in the programme of work for 2006 (from 28 to 37 projects, or 32%) entails an across-the-board need for additional human resources, although part of the increase is also a result of employing translators which were previously hired on a commercial contract basis. The aggregate increase of 54.83 FTEs can be better understood by considering each department.

50. **External Affairs Department (EAD).** The Office of the Secretary (ES) has maintained zero real growth over the past 12 years even though the work in that division has increased due to factors such as new Governing Council formats, heavier Executive Board agendas and corresponding documentation, increased number of Audit and Evaluation Committee sessions, and the advent and increasing number of informal seminars, workshops, Convenors and Friends meetings and List meetings. Historically, there has also been an increased workload in the year following the conclusion of a replenishment exercise.

51. An analysis of costs incurred in hiring translators and specialized support staff on an ad hoc basis versus employing them full-time shows that it is more cost-effective to do the latter. The ES budget therefore includes a large increase in FTEs (which accounts for 73% of the EAD increase). Actual costs, however, will be less.

52. The EAD increase includes the Communication Division and Policy Division, which are relatively new divisions and require additional staff to reach their full functional strength and perform their expected functions.

53. **Finance and Administration Department (FAD).** The Office of Human Resources (FH) needs to be strengthened in order to deliver the level of service required in conjunction with the additional staff needed for the increased programme of work. Similarly, administrative services and management information systems also need to increase the number of people delivering their respective services. Table 9 does not reflect the Canadian contribution, which funded four staff in 2005 within Strategic Planning and Budget that are now contained in the Administrative Budget. Accordingly, part of the FAD increase is not a real increase in the level of staff as such.

54. **OPV Group.** The increase of 5.62 FTEs is owed to the increases in the Office of Internal Audit and the Office of the General Counsel so as to be able to implement the anti-corruption policy and to service the larger workload of documents that will be generated by the increase in the programme of work.

55. **Programme Management Department (PMD).** As the core operational body of IFAD, PMD's planned increase is predominantly to meet the additional workload arising from the increase in the programme of work. The increase of 12 staff to be funded from the PDFF accounts for 71% of the PMD increase in FTEs.

D. Savings and Efficiencies

56. As suggested by Directors at the Eighty-Fifth Session of the Executive Board in September 2005, a section detailing efforts to achieve savings, efficiencies and trade-offs has been included in this budget document. This section is the first attempt to formally report this type of information to the Board, and will be further strengthened and expanded in future budget documents.

57. The Strategic Change Programme has hitherto clearly been one of the main drivers of efficiency gains. With the conclusion of the first phase of the SCP, IFAD's administrative and financial processes in the areas of support services and strategy and finance have been streamlined and the need for manual work has been greatly diminished as a result of the implementation of PeopleSoft. Several of the PeopleSoft modules have been operating in an integrated manner within a context of decentralized accountability and responsibility since 1 January 2005; they have been rolled out to staff across the organization. Bearing this in mind, some savings and efficiencies were already factored into the budget for 2005. A full report on the benefits accruing from the SCP will be presented to the Board at its December 2005 session.

Savings and Efficiencies Captured and Planned by Individual Divisions

58. **Office of the Controller (FC).** SCP Phase I has permitted the redeployment of three staff members (one at the P5 and two at the G6 level, equivalent to USD 330 000) from the Accounting Section of the Office of the Controller (FC/A). Two were transferred to the Loans and Grants Section of the Controller's Office (FC/L), and one to the Policy Division. The bulk of these savings was achieved through the full integration of the Purchasing and Accounts Payable modules, which significantly reduced the number of staff required to process payments. The former two redeployments responded to the need to strengthen the analysis, administration and oversight over financial aspects of loan and grant preparation and implementation, particularly in view of the expansion of the grants programme and the tightened reporting and audit requirements for grant-funded programmes. At the same time, the staff redeployment to the Policy Division has assisted in the implementation of the Initiative for Mainstreaming Innovation (IMI) programme.

59. **Office of Human Resources (FH).** FH expects to reduce the unit costs for staff recruitment by grouping the advertising, interviews and appointments for similar positions. This should not only yield efficiencies for the Office of Human Resources, but also streamline the involvement of staff in the hiring division, as less time would be spent drafting vacancy announcements and participating in interview and appointment panel meetings. On a corporate level, overtime expenses are expected to fall in 2006 compared with previous years following the introduction of a new policy in 2005, which caps the maximum number of hours staff are allowed to work.

60. **Office of Administrative Services (FA).** FA has identified three areas of saving: efficiency gains of approximately USD 25 000 from improved management of utility costs; a saving of USD 25 000 from the elimination of the catering subsidy, which occurred when the catering company was changed; and a saving of USD 21 000 for photocopying and overtime. In spite of the expected increase in volume of work in 2006, the division has maintained the same budget level as for 2005, and intends to recoup any additional expenses incurred through a charge-back mechanism whereby divisions will be charged for their extra requirements.

61. **Office of Internal Audit (OA).** OA estimates savings of USD 20 000 in the form of reduced staff time devoted to administrative work thanks to the introduction of automated audit software that includes automated time-sheets and an integrated recommendations management system. This will allow for more staff time to be devoted to audit and investigation work.

62. **Office of Strategic Planning and Budget (FS).** FS was formed in December 2003 and the work and structure of the division has changed markedly since then. In 2004 the office consisted of 13 staff, of whom 5 were professionals. In 2005, the staff level has been decreased to 9 and the composition has changed to include 6 professionals. One FS regular staff was redeployed to FC-Loans and three of the temporary FS staff are now working in EAD and PMD. Just recently, the position of FS director was filled through redeployment from the Policy Division.

63. In 2004, FS was recording the budget commitments for all divisions, ensuring availability of funds. At the same time, the Budget Preparation module and decentralized commitment control was being designed, tested and implemented. As of January 2005, under a decentralized budget environment, FS does not input commitments for other divisions unless they relate to the use of regular posts. The decentralization of budget submission input and commitment control is allowing the work of FS to become more analytical, and the unit is thus moving towards helping the rest of the house make more strategic decisions with respect to resource allocation.

III. RESOURCES AVAILABLE

A. Regular Resources

64. The programme of work is approved subject to the availability of committable resources. During the current Sixth Replenishment, the Fund has been authorized to utilize advance commitment authority (ACA) to a ceiling of three times annual reflows. Annex XIX shows the projected resources for commitment from 2003 to 2006 and illustrates that, with the proposed programme of work of USD 550 million, the net use of ACA would remain within the required ceiling.

B. Supplementary Funds

65. Supplementary funds are voluntary resources received from one or more donors for a purpose specified in an agreement between IFAD and the donor(s). Such resources are not part of Member States' contributions to regular resources. In all instances, supplementary funds are accepted for purposes related to the Strategic Framework objectives and institutional priorities or themes identified

in the broad work programme of the Fund. Further details regarding supplementary funds are provided in Annex XXII.

66. On the basis of these supplementary resource mobilization projections, management fees should generate an estimated USD 2.2 million for the Supplementary Funds Administrative Budget, which constitutes the large part of the Management Fees budget shown in Table 3. Regular staff posts proposed against this budget would be confirmed only on the basis of resources available.

C. Complementary Contributions

67. Complementary contributions are made within a specified replenishment period. IFAD has received complementary contributions from Belgium (with respect to the Belgian Survival Fund), Italy and the Netherlands (with respect to debt relief under the Heavily Indebted Poor Countries [HIPC] Debt Initiative), the United Kingdom of Great Britain and Northern Ireland (with respect to IFAD's Initiative for Mainstreaming Innovation) and Canada (with respect to results and impact).

68. The proposed use of USD 10 million to be received from the United Kingdom as a complementary contribution was approved by the Executive Board at its December 2004 session. At the same session, the operational framework for the main phase of IFAD's Initiative for Mainstreaming Innovation (IMI)⁴ was approved. It is expected that USD 7.25 million will be utilized over the 2005-2006 period.

Table 10: Complementary Contributions by Broad Purpose

Source	Purpose	Status	Amount (USD '000)		
			2005	2006	Total
United Kingdom (Department for International Development)	IFAD Initiative for Mainstreaming Innovation	Partly received	6 000	1 250	7 250
Canada	Results and impact	Received	1 511		1 511
Total			7 511	1 250	8 761

D. Carry-Forward Funds and Other Resources

69. In 2004, the Fund carried forward an authorized 3% of unutilized funds from the previous year's Administrative Budget, and the same was done in 2005. The amounts carried forward and their allocation can be seen in Annex XX. The use of the carry-forward has greatly assisted those areas of the Fund that have been experiencing cost increases or have had to deal with new tasks unforeseen at the time of budget preparation.

70. Other resources (such as management fees) are used not only to support the programme of work, but also the housing of partners such as the Global Mechanism and the International Land Coalition. Over recent years, these partner organizations have grown, requiring additional administrative support from IFAD, which the Fund has absorbed within its Administrative Budget.

⁴ IFAD Initiative for Mainstreaming Innovation (document EB 2004/83 R.2).

IV. BUDGET EXECUTION AND TRENDS

A. Budget Execution

71. In the past the Board has requested information regarding the execution of previously approved budgets. Information on execution of the 2004 budgets is presented in Annex VII, and of 2005 up to the third quarter in Annex VIII.

72. The 2004 Administrative Budget was 95% utilized, while the One-time Cost budget was only 59% utilized due to delays in implementation of the pay-for-performance pilot project. An amount of USD 548 000 was requested again in 2005 as part of one-time costs, and was 64% utilized as at 30 September 2005.

73. The primary reason for the 5% unutilized balance within the Administrative Budget was the final restatement of the budget, which resulted in a favourable balance. A significant portion of IFAD's administrative expenses are incurred in local currency, with proportions being approximately 55% in euros and 45% in U.S. dollars, which implies a reasonably high degree of exchange rate risk exposure.

74. In order to avoid this reoccurring, management has proposed the use of a fixed EUR/USD exchange rate mechanism for budget-holder management and reporting purposes. Recording of actual expenses for financial statement reporting would not be affected, and would continue to be based on the effective exchange rate prevailing on the day on which transactions are processed.

75. The overview of the PDFF budget for 2004, as shown in Annex VII-2, shows overall utilization of 82%. This is consistent with the concept and role of the PDFF as a financing facility that recognizes that the development cycle is not necessarily aligned with the financial cycle. This is discussed in more detail in paragraphs 43-46.

B. Trends

76. The IFAD Administrative Budget has been on a zero or decreased real growth basis for the past 11 years (see Table 11). The many years of zero real growth⁵ have stretched IFAD's administrative costs to the limit. In 2001 one-time costs were introduced, which signalled the initial signs of strain on the Administrative Budget. One-time costs peaked in 2004 and, as the Board pointed out, some of the items were not strictly of a one-off nature. Items such as the Audit Committee meeting costs and increased security costs, which were previously included in one-time costs, are now part of the Administrative Budget. The hosting of partner organizations also affects the administrative resource requirements of the Fund, particularly during periods when these organizations are growing.

⁵ Zero real growth is defined as the application of inflation to non-staff costs, plus the application of increases specified by the International Civil Service Commission (ICSC) to staff costs. This definition is consistent with the practice of other international financial institutions (IFIs).

Table 11: Administrative Budget and Programme of Work Increases

	Administrative Budget	Programme of Work	
	Real Increase (Decrease over Previous Year) (%)	Approved (USD million)	Increase (Decrease) (%)
1995	(3.6)	415	
1996	(8.08)	455	10
1997	0	450	(1)
1998	(0.26)	459	2
1999	(0.04)	473	3
2000	0	482	2
2001	0	423	(12)
2002	0	437	3
2003	0	450	3
2004	0	463	3
2005	0	500	8

77. The nominal increases in both the approved Administrative Budgets and actual administrative expenditures for the last five years can be seen in Annexes IX and X. Annex XI shows the movement in the EUR/USD exchange rate since 2000.

78. The trend in the level of approved Administrative Budgets between 2001 and 2005 (Annex IX) shows an overall nominal increase of 52%, without taking exchange rate fluctuations during the same period into account. During this period, the EUR/USD exchange rate has fluctuated significantly, with a strong appreciation of the euro. The EUR/USD exchange rate used in calculating the approved 2001 Administrative Budget was 1.076, compared with the 0.819 rate used for the approved 2005 Administrative Budget; this represents a 24% appreciation of the euro. This exchange rate variation contributes significantly to the nominal increase of 52%, since a high proportion of IFAD's administrative expenses are incurred in local currency: roughly 55% are in euros and 45% are in U.S. dollars. After eliminating the impact of exchange rates, the increase between the Administrative Budgets of 2001 and 2005 is 30%, which equates to an annualized rate of 6.76% (see Annex IX, Table 2).

79. The two main categories of expense – Staff Costs and Other Non-Staff Costs – show increases of 38% and 7% respectively over the period 2001 to 2005, and of 8.32% and 1.74% on an annualized basis.⁶ The distinction between these two categories is important since they receive different treatment as far as the calculation of price increases is concerned: staff costs are subject to ICSC-mandated increases, while for the latter category the consumer price index (general inflation rate) is applied.

80. While the overall annualized increase is consistent with IFAD's method for calculating zero real growth,⁷ those of the individual categories (Staff Costs and Other) are to some extent either over- or understated as a result of reclassifications. In 2003, sub-items of expense were transferred from the Other to the Staff Costs category (specifically from the category Governing Bodies and Other Official

⁶ This general Other category includes all the categories in the former format for presentation of IFAD's Administrative Budget, excluding staff costs, i.e. Governing Bodies and Other Official Meetings, Programme Activities and Studies, Office and General Expenses, Policy Advocacy and Resource Mobilization, Contingency Items for Unforeseen Expenses.

⁷ Further information regarding the methodology for calculating zero real growth can be found in the document presented to the informal seminar of the Audit Committee on 5 September 2005 (agenda item 2).

Meetings), leading to a lower annualized rate for the Other category and a higher one for the Staff Costs category.⁸ This is evident since the average general inflation rate applied to expenditure items in the Other category between 2001 and 2005 is 2.54%, which is markedly higher than the actual annualized rate of 1.74% for the corresponding period.⁹ In 2005, the budget was presented either by activity or by type of expense. Staff costs, when reflected within the type of expense, included all staff in the organization, whereas in the past, when a mix of activities and types of expense were used, temporary staff would appear both under Staff Costs as well as other categories (such as Governing Bodies).

81. In addition, while maintaining zero real growth from 2001 to 2005, in some years there were real increases/decreases within these two categories, still resulting in a zero-sum effect on the overall budget. The most significant case was for the 2003 budget, which showed a real increase of USD 576 000 in the area of staff costs, and an offsetting decrease in the Other category to reflect the establishment of the new External Affairs Department, including the creation of the Policy and Communications Divisions. Clearly, this also contributed to the divergence of the annualized budget growth rates for the Staff Costs and Other category from the expected pattern.

82. Annex X presents the actual results from 2000 to 2004, showing that the Administrative Budget increased overall, in nominal terms, by 40%. However, similar to the approved budget trend, the majority of the increase is due to appreciation of the euro. Table 2 of Annex X shows the trend in expenditure exclusive of the effect of exchange rates: the overall increase is 23.9%. On an annualized basis, this represents an increase of 5.54%.

83. Comparing actual results to approved budgets (excluding exchange rate effects), it can be seen that the annualized increase of actual results (5.54%) is similar to – but lower than – the annualized increase in approved budgets (6.76%).

⁸ In both years the sub-items transferred were from the former category Governing Bodies and Other Meetings into the Staff Costs category, specifically from the sub-item for professional and temporary support staff in the Governing Bodies and Other Official Meetings category to the short-term temporary staff sub-item within the Staff Costs category.

⁹ As stated in the budget documents of 2001 through 2005 as submitted to the Executive Board and Governing Council, the general inflation rates applicable to items within the Other category for each year are as follows: 2.8% in 2001, 2.6% in 2002, 2.6% in 2003, 2.5% in 2004, and 2.2% in 2005.

PART TWO – 2006 WORK PROGRAMME AND BUDGET FOR IFAD’S OFFICE OF EVALUATION

84. **Background.** This is the third work programme and budget prepared by the Office of Evaluation (OE) following the approval of the IFAD Evaluation Policy by the Executive Board in April 2003. The preview of this document was discussed by the Evaluation Committee and the Executive Board in September 2005. Subsequently, during its Forty-First Session in October 2005, the Committee discussed the draft of the OE work programme and budget for 2006, which is being presented to the Eighty-Sixth Session of the Board for consideration. In line with standard practice, the Chairman of the Evaluation Committee has provided a written report to the Eighty-Sixth Session of the Executive Board, summarizing the Committee’s deliberations and its recommendations on the document for consideration by the Board. Finally, pursuant to the decision of the Executive Board in April 2004, the OE work programme and budget was also to be considered by the Audit Committee in November 2005, together with IFAD’s Programme of Work and Budget for 2006.

85. **Achievements in 2005.** OE had four main priorities for 2005: (i) supervision of the Independent External Evaluation (IEE) of IFAD; (ii) selected corporate-level, regional strategy, country programme, thematic and project evaluations; (iii) specific evaluation work called for by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee; and (iv) methodological development, evaluation outreach and other activities.

86. Overall, OE has been able to respect the main priorities and implement almost all the planned activities for the year. Indeed, in some areas OE has achieved more than planned. Specific achievements are laid out against priority areas in Annex XXVI.

87. In particular, the IEE was completed on time and within the overall budget allocation authorized by the Executive Board. The draft final report was discussed by the Board at its Eighty-Fourth Session in April 2005. The report consisted of four parts: (i) the report of the Director, OE (as the supervisor of the IEE); (ii) the draft final report submitted by the independent consultant team; (iii) comments of the IEE senior independent advisers; and (iv) IFAD management’s response to the IEE. The IEE raised numerous issues of importance for the Fund’s future. The final IEE document considered by the Board in April 2005 has been made available to the public at large through the IFAD website. Moreover, the report has been printed in all official languages as an IFAD publication and distributed accordingly.

88. In 2005, OE completed a corporate-level evaluation (CLE) of the Direct Supervision Pilot Programme, which generated far-reaching recommendations, inter alia, for IFAD to undertake implementation support activities in all its operations. This CLE was discussed by the Executive Board at its session in September 2005. On the same occasion, the Board considered and adopted the evaluation’s agreement at completion point.¹⁰ This evaluation generated far-reaching conclusions and recommendations, which, when implemented, will lead to a paradigm shift for the Fund in terms of supervision and implementation support activities. During the year, OE introduced an early feedback note on the direct supervision CLE on an experimental basis. The objective of this note was to share the findings emerging from the CLE before the draft evaluation report was available for discussion. The note served to make IFAD management aware of the evaluation’s results early on in the process.

89. Moreover, OE began the evaluation of IFAD’s regional strategy for Asia and the Pacific, which entailed developing a specific methodology, as the division had not conducted an evaluation of this type previously. A desk review phase and some of the country visits planned have been undertaken. This evaluation will be completed by mid-2006. Moreover, preparatory work has started for two more corporate-level evaluations, namely the evaluation of IFAD’s regional strategy in the Near East and

¹⁰ See document EB 2005/85/R.9.

North Africa and the evaluation of IFAD's Rural Finance Policy. Both these evaluations will be finalized in 2006.

90. As planned, OE undertook various country programme evaluations (CPEs) during the year. It concluded a CPE for Egypt, which underscored the need for a strategic shift in IFAD operations from lower to upper Egypt, where the prevalence of poverty is far greater. It completed the CPE in Bangladesh, which highlighted, among other issues, the need for IFAD to strengthen its partnership with the private sector so as to achieve greater results in its rural poverty reduction efforts. The CPEs in Mexico and Rwanda have been completed.¹¹ The Rwanda CPE highlighted, among other issues, that IFAD can play a useful developmental role in situations of conflict and post-conflict. The evaluation also underscored that sustainability is a significant challenge that needs to be addressed urgently. The Mexico CPE found that IFAD-funded projects have contributed to the Government's rural poverty reduction efforts, for example in terms of improving food security. In addition to the CPEs, OE finalized two thematic evaluations (TEs). The TE on decentralization in Eastern and Southern Africa recommended that IFAD look at decentralization in a more holistic manner as all types of institutions, including decentralized government administrative structures, local political bodies, grass-roots organizations and the private sector, have a role to play in rural development efforts. The TE on organic agriculture in Asia and the Pacific was also completed. This highlighted the potential that organic agriculture holds for sustainable rural poverty reduction. It also stressed the importance of strengthening the capacity of farmers' organizations to help small farmers in their efforts to engage in organic agriculture, for instance, in ensuring quality standards for organic produce and in identifying market opportunities. It is also worth noting that the new country strategic opportunities paper for China,¹² expected to be presented to the Executive Board in December 2005, includes organic agriculture as one of its strategic thrusts. Finally, as planned, by the end of December 2005, OE will have completed 13 project evaluations.

91. The new terms of reference and rules of procedure of the Evaluation Committee¹³ led to an expansion of the Committee's mandate, which now entails additional responsibilities for OE. In this regard, for the first time in 2005, OE reviewed the Portfolio Performance Report (PPR)¹⁴ prepared by management, and made specific suggestions to improve reporting format and content to render the report a more useful management tool in the future. It also reviewed and provided comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA).¹⁵ OE found that the PRISMA report had improved over the submission of last year in that it provided a higher level of analysis and identified a number of systemic issues on which management needed to take decisions and actions. Moreover, OE supported the Programme Management Department (PMD) in enhancing the latter's self-evaluation capabilities. This represents an area of "overachievement" in 2005, given that during the year OE was merely required to develop a "proposal for OE's contribution to enhancing IFAD self-evaluation activities" to be implemented in 2006. In this regard, in 2005 OE: (i) made suggestions for improving the PPR and PRISMA reports in terms of structure and content to ensure that they become more useful management tools; (ii) provided feedback on the PPR guidelines for 2006; (iii) furnished ongoing inputs to the results and impact management system (RIMS); and (iv) started working with PMD on the alignment of the ratings scale used in IFAD's self-evaluation and independent evaluation systems, to capture the "net disconnect" between the results and outcomes derived from the two systems. The harmonization of the evaluation systems will, inter alia, facilitate the comparison of assessments and results as well as facilitate the

¹¹ The only remaining activity is the Rwanda CPE National Round-table Workshop, which will be undertaken in January 2006.

¹² China was one of the countries included in the TE.

¹³ Approved by the Executive Board in December 2004.

¹⁴ Previously called the Progress Report on the Project Portfolio.

¹⁵ Previously called the President's Report on the Status of Implementation of Evaluation Recommendations. This report and the PPR report were both discussed with the Evaluation Committee and the Executive Board.

use by independent evaluations of the data generated by IFAD's self-evaluation activities. In 2006, OE will continue to provide inputs to PMD along similar lines.

92. In 2005, OE prepared the third Annual Report on the Results and Impact of IFAD Operations (ARRI), which was discussed by the Evaluation Committee at its Forty-Second Session and will be considered by the Executive Board at its December 2005 session. The main findings contained in the ARRI report were: (i) around half of the projects achieve substantial rural poverty reduction impacts; (ii) a significant number of projects do not succeed in benefiting the poorest; (iii) a minority of projects are likely to be sustainable; (iv) only a third of the projects had a substantial positive impact on the environment; and (v) IFAD, in comparison with cooperating institutions and governments, has performed less well. Following these findings, the ARRI report recommended that IFAD develop a clear focus on key target groups, enhance ownership through improved participation and partnerships, and identify differentiated approaches for countries of different income levels (middle-income versus low-income) and policy and institutional frameworks (within the group of low-income countries).

93. OE continued work on upgrading its country programme and project evaluation methodologies. In order to ensure the highest quality standards and credibility of its revised methodology, the revised guidelines are being scrutinized by a panel of international experts in the field of development evaluation. The objective is to issue revised methodological guidelines by the end of 2005. Furthermore, OE introduced internal peer reviews as a quality assurance mechanism and knowledge-sharing device within the division for key evaluations, such as corporate-level and country programme evaluations. The results of peer reviews are encouraging although they require time and absorb staff resources.

94. OE organized four sessions of the Evaluation Committee. During these sessions a number of key evaluations were discussed, such as the Egypt and Mexico CPEs, the ARRI report and the CLE on the Direct Supervision Pilot Programme. In keeping with established practice, OE organized a field visit that the Committee undertook collectively to Mexico in October. This gave members an opportunity to visit an IFAD-funded project in the Yucatan and to take part in the CPE National Round-table Workshop. The workshop was jointly organized by the Government of Mexico and IFAD in Mexico City, and provided an opportunity to discuss the results of the CPE. In this regard, the Committee's Chairperson has submitted a written report to the Eighty-Sixth Session of the Executive Board providing an overview of the Committee's experiences related to the field visit. In addition, earlier in the year, the Chairperson took part in the regional round-table workshop on the thematic evaluation on decentralization in Eastern and Southern Africa held in Uganda, and in this regard, provided a report to the Executive Board at its session in April 2005.

95. In collaboration with the World Bank, OE organized a conference in Washington, D.C., early in the year to discuss and disseminate the results of the thematic evaluation on organic agriculture in Asia and the Pacific. Together with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme, OE organized the annual meeting of the United Nations Evaluation Group in Rome in April, during which the norms and standards for evaluation in the United Nations system were adopted. Finally, as conveyed to the Governing Council in February 2005, OE started the implementation of phase II of its partnership in evaluation with the Swiss Agency for Development and Cooperation. The partnership contributed in particular to the development of methodological aspects of the ARRI report and the EVEREST. The partnership also facilitated the organization of a joint IFAD/African Development Bank conference on the results of the Thematic Evaluation on Decentralization completed by OE in 2005.¹⁶

96. As an unforeseen activity, the Director of OE was invited to be part of a five-member panel entrusted with evaluating the evaluation function at the United Nations Development Programme

¹⁶ See Annex III, page 16.

(UNDP). This assessment is part of a wider approach, led by the Development Assistance Committee's Evaluation Network,¹⁷ to enhance multilateral agencies' evaluation capacity and performance with a view to improve their development performance. It entailed the OE Director's close involvement in reviewing UNDP's overall evaluation system, approaches and organization, including participation in various meetings in New York and related discussions on the subject in the second half of 2005.

97. **Taking stock of 2005.** Before defining its priority areas, work programme and human and financial resource requirements for 2006, OE reviewed the experience of implementing its 2005 work programme and budget. For this purpose, OE conducted a mid-term review in June, which raised a number of important issues and challenges. Some of these are already being addressed while others are currently being considered. First, in the light of the experience gained in the implementation of the evaluation policy, OE recognizes the need to fine-tune some of its key evaluation processes. For example, the role and functioning of the evaluation core learning partnerships¹⁸ need to be clarified and enhanced so that they become even more useful platforms for learning and guidance for OE's evaluation work. Likewise, there is a need to define more precisely the process for formulating the agreements at completion point (see footnote 22) and the specific role of IFAD and its partners in the field.

98. Another key consideration is the need to take stock of and learn from the good practices used by the IEE. The IEE has been a major undertaking for IFAD; it included various interesting concepts, methodological approaches and activities that are worth considering as they could provide, with the appropriate adjustments, useful guidance for strengthening OE's work.

99. More systematic management of OE consultants is required, as this is a crucial element of OE's work. The quality of consultants is a key factor in determining the overall quality of evaluations conducted by the office. There is a need to develop a more methodical approach and clearer criteria for the selection of consultants, find ways to accurately measure their level of effort, determine which tasks should be outsourced to consultants, develop effective ways of managing consultants to ensure that they provide the required services and deliverables in a timely manner, and systematically conduct performance evaluations after each assignment. Work in this area has been progressing steadily and an overall management framework for OE consultants, incorporating these and related matters, will be introduced in the first part of 2006.

100. While OE has already introduced methodologies for project and country programme evaluations over the past couple of years, it recognizes that these are not static instruments and need adjustment to incorporate experience gained during implementation and state-of-the-art thinking on the subject. Hence, methodological development is an ongoing process that the office must continue to emphasize. In fact, in 2005 OE invested time and effort in further developing its project and country programme evaluation methodologies.

101. Another important lesson is the need to devote more time to defining a detailed plan of activities with time frames for each evaluation. This will allow better management of OE evaluations and serve also as a tool for informing partners of the different steps in the process, including the frequency, duration and level of engagement expected from key partners in the evaluation process. For example, such a plan would include the list of evaluation deliverables that need to be commented

¹⁷ Of the Organisation for Economic Co-operation and Development (OECD).

¹⁸ The core learning partnership helps flag issues and information sources for the evaluation. It also discusses the evaluation findings, deepens the understanding of the findings and recommendations, and eventually works out the operational implications of evaluation recommendations and the division of labour and responsibilities for their implementation among the various stakeholders involved. The core learning partnership's output is recorded in an understanding – or agreement at completion point (ACP) – among relevant stakeholders (see paragraph 33 of the IFAD Evaluation Policy [document EB 2003/78/R.17/Rev.1]).

on by different evaluation partners together with an indication of the deadline for such contribution. Also, it would include indications of the periods when IFAD operations staff need to make time to take part in crucial meetings at headquarters and in the country. Finally, it is understood that such plans may need fine-tuning as the evaluation process unfolds, which makes it crucial that all partners be fully informed as modifications may be introduced to the same.

102. In the past, the Evaluation Committee and the Executive Board have repeatedly¹⁹ expressed concern about OE's workload, noting the need for its work programme to be manageable within the planned time frames. This is a concern shared by OE staff. Consequently, in 2006, in cooperation with the Office of Human Resources and external expertise (as required), OE will conduct an overall systematic workload assessment for the preparation of its work programme in 2007. The workload assessment will provide the basis for streamlining resources and for enhancing the quality of OE's evaluation work. Preparatory work is ongoing, with three OE staff piloting the filling in of time sheets on a daily basis until the end of the year. Moreover, in January 2006 time sheets will be introduced for all OE staff to facilitate a comprehensive workload analysis, which will be concluded in June 2006 prior to the preparation of the OE work programme and budget for 2007.

103. **OE priorities for 2006.** In addition to the lessons learned in 2004 and 2005, OE – in identifying the priorities for 2006 – has taken into consideration IFAD's strategic guidelines for the preparation of the 2006 unit work programmes. As a result, OE has developed priorities for 2006 that on the one hand satisfy the requirements of the Evaluation Policy and on the other are aligned with the key institutional priorities for 2006.

104. For 2006, OE has therefore identified **four main priority areas**. These are:

- (a) conduct of selected corporate-level, regional strategy, country programme, and project evaluations;
- (b) specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee;
- (c) methodological development; and
- (d) evaluation outreach and partnerships.

105. Priority area (a) represents the core of OE's work programme, both in terms of the level of activities and in terms of the proportion of human and financial resources required. Under this priority, OE will finalize three CLEs, namely the evaluation of IFAD's Rural Finance Policy and the evaluations of IFAD's regional strategies in Asia and the Pacific and in the Near East and North Africa, which were initiated in 2005. In addition, OE will initiate two more CLEs in 2006. In this regard, it is important to note that the Executive Board has already decided that OE will undertake evaluations of various corporate initiatives within specific time frames (see Table 12). These will need to be taken into account in developing OE's work programme in the coming years.

¹⁹ Most recently during the Forty-First Session of the Evaluation Committee on 7 October 2005.

Table 12. Corporate-Level Evaluations and Their Scheduling as Decided by the Executive Board

Evaluation Topic	Time Frame ^a
1. Field Presence Pilot Programme	To be initiated in 2006, with Board discussion at its session in September 2007
2. Initiative for Mainstreaming Innovation	2007/2008 ^b
3. Sector-wide approaches	2008/2009 ^c
4. Private-Sector Development and Partnership Strategy	2009/2010 ^d

^a These time frames were decided by the Board when approving the proposals on the corresponding topic submitted by IFAD management.

^b In this case, the Board did not determine a specific time. It decided that following the completion of the IMI implementation phase, OE would conduct its evaluation. It is hence deduced that OE would be called upon to evaluate the IMI in 2007/2008, given that the time frame for IMI implementation is from 2005-2007.

^c The Board called for the evaluation to be conducted “in 2008”.

^d The Board decided that this evaluation would be conducted “at the end of 2008”.

106. As agreed by the Evaluation Committee and the Executive Board in the past, it is recalled that – given the complexity of CLEs and the human and financial resources they absorb – OE can only undertake a limited number of such evaluations per year. In addition, CLEs require thorough engagement by IFAD management and other staff, and this needs serious consideration to ensure timely internalization and follow-up on the results and recommendations of such evaluations. Moreover, in scheduling such evaluations, the availability of an adequate data and information base is fundamental to ensuring a sound and credible analysis.

107. It is worth recalling that CLEs are evaluations of corporate strategies and policies, including sector policies such as the Rural Finance Policy. CLEs have also focused on corporate processes, modalities and approaches such as the CLE of the Direct Supervision Pilot Programme concluded in 2005 or the planned evaluations of the Field Presence Pilot Programme and the IEE Action Plan (see next paragraph).

108. On the basis of the above considerations, OE will undertake the CLE on the Field Presence Pilot Programme in 2006/2007, given its overall importance and particularly in the context of the new operating model being developed by IFAD in response to the IEE. It plans to start this evaluation at the beginning of 2006 in time for it to be ready for discussion with the Board in September 2007, as per the Board decision. OE also proposes to undertake some preparatory work towards the end of 2006 for the CLE of the Action Plan: IFAD Management’s Response to the IEE, which will be undertaken fully in 2007.²⁰ In this way, its results can be made available before the start of the Consultation on the Eighth Replenishment of IFAD’s Resources. Thereafter, as reflected in Table 12 and as a follow-up to the previous evaluation on innovations,²¹ OE proposes to commence in the last quarter of 2007 the CLE of the Initiative for Mainstreaming Innovation (IMI), for completion in 2008. This will be followed by the evaluation of sector-wide approaches in 2008/2009 and of the Private-Sector Development and Partnership Strategy in 2009/2010.

109. In addition to the above, OE is also planning to work on five country programme evaluations (in Brazil, Ethiopia, Mali, Morocco and Nigeria) and ten project evaluations. While no specific

²⁰ The exact time frame of this CLE will be determined following further consultation with IFAD management.

²¹ Evaluation of IFAD’s capacity as a promoter of replicable innovations, November 2002.

thematic evaluation is planned for 2006, it must be noted that the ongoing regional strategy evaluations in Asia and the Pacific and in the Near East and North Africa will, by nature of their overall objectives and scope, also cover a range of thematic areas in the two regions concerned. Moreover, by undertaking the CLE of the Rural Finance Policy and the Field Presence Pilot Programme, OE will be devoting significant attention and resources to themes of major importance to the Fund.

110. In conclusion, OE will have an increased workload in the most demanding part of this priority area, namely in relation to higher-plane evaluations, particularly in terms of CLEs.

111. Under priority area (b), OE will prepare the fourth ARRI report evaluated in 2005, which is a requirement of the Evaluation Policy. As in the past, the ARRI report aims at consolidating and synthesizing the results and impact of IFAD operations based on evaluations undertaken the previous year, and identifying cross-cutting issues and lessons learned of wider interest related to IFAD operations. The ARRI report will be discussed both with the Evaluation Committee and the Executive Board in December 2006.

112. OE will formulate its work programme and budget for 2007 and present the same for discussion with the Evaluation Committee and consideration by the Executive Board, according to established procedures and requirements.

113. In line with the new terms of reference and rules of procedure of the Evaluation Committee, OE will organize four sessions of the Committee in 2006 and any other special sessions that the Committee Chairperson deems necessary. The Committee will review any operation policy proposals in 2006 arising from evaluation lessons and recommendations (such as IFAD's targeting policy), including OE comments on the proposals, before they are considered by the Executive Board. OE will review and prepare its comments on the PPR and PRISMA reports, as well as the IFAD development effectiveness report, which management will produce as part of implementation of the IEE action plan. OE's comments will be presented together with the PPR, PRISMA and development effectiveness reports, and discussed first in the Evaluation Committee and thereafter in the Executive Board in 2006. The Committee will, as in the past, discuss a number of key evaluations undertaken by OE. A field visit for the Evaluation Committee will be organized in the second part of the year in connection with a major evaluation workshop. This will be determined by the Committee at its December 2005 session, when it will also define its overall provisional agenda for 2006. Finally, the term of office of the Evaluation Committee will end in April 2006 and a new Committee will be composed thereafter. The above-mentioned visit and workshop will help the new members of the Committee, but also other Board members to become familiar with the functioning of the Committee and the IFAD Evaluation Policy as well as the relevant OE methodologies.²²

114. The discussion of new policy proposals and the above-mentioned development effectiveness report in the Evaluation Committee will also result in an increased workload for OE.

115. Under priority area (c), OE will implement its improved methodological framework for project evaluation and CPE methodology in all project evaluations and CPEs in 2006. The office will ensure thorough oversight in application of the methodologies, which is important to ensure evaluation results and outputs of comparable quality. Skills of OE staff and consultants will be enhanced to ensure proper understanding and application of the methodologies. In 2006, as mentioned in paragraph 99, OE will introduce a more systematic approach to the overall management of its consultants. Finally, based on the specific areas identified in 2005, OE will continue to lend support to the efforts of PMD in improving IFAD's self-evaluation capabilities, for instance, in ensuring the

²² This is in line with the terms of reference and rules of procedure of the Evaluation Committee (reference paragraph 38 (ii)).

appropriate implementation of the RIMS, as well as contribute to strengthening the PRISMA and PPR reports.

116. Under priority area (d), OE will continue its efforts to ensure wider dissemination of evaluation results using a variety of products and instruments, recognizing that added attention needs to be devoted to providing feedback in an appropriate manner to partners at the country level. The peer reviews of higher-plane evaluations²³ undertaken by OE will contribute to knowledge-sharing efforts within the office. Furthermore, OE will organize a conference on evaluation that will serve as an opportunity to exchange views on issues of broader interest to a range of stakeholders. OE will continue to participate in the deliberations of the United Nations Evaluation Group and the International Development Evaluation Association, and seek membership in the Evaluation Cooperation Group of the multilateral development banks. It will also take part in selected international and regional conferences on evaluation.

117. **Human resource requirements.** In 2006, OE expects to have the same staff level requirement as in 2005. Table 3 in Annex XXIV provides a summary of the OE human resource requirements for 2006. To contribute to skill and competency development within the office, relevant OE staff will participate in appropriate training programmes to improve their expertise in state-of-the-art evaluation methodologies and techniques, as well as upgrade their knowledge of the relevant new systems and procedures introduced within IFAD.

118. **Financial resource issues.** The 2006 budget proposal, as for the rest of IFAD, takes into consideration the restatement²⁴ of the 2005 OE budget approved by the Governing Council in February. OE's 2006 budget proposal also takes into account the inflation factor as applied by IFAD in developing its own 2006 Administrative Budget proposal, and adjustment to staff costs results from changes in staff entitlements or salary increases dictated by the United Nations Common System. In addition, the OE budget proposal has been shown both in terms of expenditure and activity (Tables 1 and 2, Annex XXIV).

119. The 2006 OE budget proposal contains an adjustment in temporary staff costs and makes provision for the increased evaluation work²⁵ that OE will undertake next year. These adjustments are reflected in the corresponding budget lines.

120. As agreed by the Executive Board in September while discussing the preview of OE's work programme and resource issues for 2006, the average amount of contingency utilized by OE per year over the period 2004-05²⁶ has been included in the OE budget for 2006. As a result, in line with the decision of the Executive Board in December 2004, OE has not included a contingency budget line for 2006.

121. In sum, the OE budget for 2006 is proposed at a level of USD 4.79 million.

²³ That is, CLEs, TEs, CPEs and regional strategy evaluations.

²⁴ The restatement, which is done each year in October by the Strategic Planning and Budget Division, is a normal IFAD budgeting practice with the aim of recalculating the approved budget taking into account the average EUR/USD exchange rate during the year. This practice ensures the availability of the required funds in spite of fluctuations in the exchange rates.

²⁵ As discussed in paragraphs 110 and 114.

²⁶ This has been calculated as amounting to USD 17 000, which were used for staff costs and Evaluation Committee purposes.

PART THREE – RECOMMENDATIONS

122. In accordance with Article 6, Section 10, of the Agreement Establishing IFAD and Regulation VI of the Financial Regulations of IFAD, it is recommended that the Executive Board:

- approve the programme of work for 2006 at a level of SDR 379.5 million (USD 550 million), which comprises a gross grant programme of USD 55 million and a lending programme of SDR 341.54 million (USD 495 million). The proposed grant programme is made up of USD 17.0 million transferred to the PDFF, a country-window grant programme of USD 10.5 million and a global/regional-window programme of USD 27.5 million. It is proposed that this programme of work level be approved only for planning purposes and that it be adjusted during 2006 in accordance with the level of resources available;
- approve the total PDFF in the amount of USD 38.2 million for 2006;
- authorize the President to submit to the Twenty-Eighth Session of the Governing Council, firstly the Administrative Budget of IFAD for 2006 in the amount of USD 63.6 million plus USD 0.40 million to cover one-time costs and, secondly, the Administrative Budget of IFAD's Office of Evaluation for 2006 in the amount of USD 4.79 million.

INDICATIVE LENDING PROGRAMME BY REGION FOR 2006

	Western and Central Africa	Eastern and Southern Africa	Asia and the Pacific	Latin America and the Caribbean	Near East and North Africa	Total
Recommended allocation (USD million)	91	92	153	84	75	495
% of total programme	18	19	31	17	15	100
Number of projects	9	6	10	6	6	37
Indicative country list	<ul style="list-style-type: none"> ▪ Burkina Faso ▪ Cameroon ▪ Congo ▪ Gambia ▪ Guinea ▪ Mauritania ▪ Niger ▪ Nigeria ▪ Sierra Leone 	<ul style="list-style-type: none"> • Burundi • Eritrea • Madagascar • Malawi • Uganda • United Republic of Tanzania 	<ul style="list-style-type: none"> ▪ Bangladesh ▪ Cambodia ▪ China ▪ Democratic Republic of Korea ▪ Indonesia ▪ Maldives ▪ Pakistan ▪ Papua New Guinea ▪ Sri Lanka ▪ Viet Nam 	<ul style="list-style-type: none"> ▪ Argentina ▪ Bolivia ▪ Ecuador ▪ Haiti ▪ Nicaragua ▪ Peru 	<ul style="list-style-type: none"> ▪ Bosnia and Herzegovina ▪ Egypt ▪ Jordan ▪ Sudan ▪ Syrian Arab Republic ▪ Turkey 	
Number of Reserve projects	4	5	4	3	2	18
	<ul style="list-style-type: none"> ▪ Gabon ▪ Guinea-Bissau ▪ Mali ▪ Senegal 	<ul style="list-style-type: none"> ▪ Comoros ▪ Ethiopia ▪ Kenya ▪ Mauritius ▪ Uganda 	<ul style="list-style-type: none"> ▪ India ▪ Iran , Islamic Republic of ▪ Kyrgyzstan ▪ Tajikistan 	<ul style="list-style-type: none"> ▪ Costa Rica ▪ Honduras ▪ Panama 	<ul style="list-style-type: none"> ▪ Algeria ▪ Djibouti 	

BUDGET METHODOLOGY

Staff Costs

The staff costs budget is prepared in due accordance with the common standards, methods and arrangements being applied to salaries, allowances and benefits for the staff of the United Nations, which are regulated and coordinated by the International Civil Service Commission (ICSC) of the United Nations Common System.²⁷

Standard rates for each grade level are employed in the budgeting process, and are based on analysis of statistical data and actual expenditures relating to IFAD staff. Standard rates are used to budget the costs of staff in the professional and general service categories on continuous and fixed-term contracts, as well as the short-term staff hired on monthly or daily basis (excluding consultants).

Increases have been calculated in close collaboration with the lead agency in Rome (FAO), taking into account any pending recommendations by the ICSC. These represent best estimates, made at the time of preparation of this budget document, of what is formally to be introduced during 2006:

- (a) 2.5% increase on General Service staff salaries effective 1 November 2005, and a further 2.4% increase effective 1 November 2006;
- (b) 2.5% increase on General Service staff pensionable remuneration effective 1 November 2005, and a further 2.4% increase effective 1 November 2006;
- (c) 2.4% increase on General Service staff dependency allowances effective 1 November 2006;
- (d) 3.1% increase on the General Service staff separation scheme effective 1 January 2006;
- (e) 2.0% increase on Professional staff pensionable remuneration effective 1 September 2006;
- (f) 1.9% increase for rental subsidies effective 1 January 2006;
- (g) 11% increase in medical plan contributions effective 1 January 2005 and a 17.5% increase for after-service medical costs in 2006;
- (h) a downward adjustment of 3.5% is applied to account for professional posts being vacant within the year as a result of staff leaving on retirement or transfers to other organisations;

Exchange Rates Applied for the Proposed 2006 Administrative Budget

In line with past practice, the proposed Administrative Budget is presented in USD, including a component of EUR denominated expenditures translated in USD at a EUR/USD exchange rate that represents the best estimate forecast at the time of preparation of the document.

Projections of the EUR/USD exchange rate for 2006 vary somewhat across sources, and there is evidence of a high degree of risk in the projection of the EUR/USD exchange rate path. A number of sources forecast a EUR/USD exchange rate of 1.22 (or 0.82), which is nearly equal to the exchange rate used for the proposed 2005 Administrative Budget of 0.819. In view of the significant convergence of some forecasts with the rate used for the 2005 proposed budget, and the relative uncertainty observed, the proposed 2006 Administrative Budget has been prepared with the same rate used for the 2005 Administrative Budget.

²⁷ IFAD is a participating member of the United Nations Common System since 15 December 1977.

2006 ADMINISTRATIVE BUDGET BY ACTIVITY

2006 ADMINISTRATIVE BUDGET BY ACTIVITY ALL DEPARTMENTS (USD '000)					
	Office of the President and the Vice-President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2006 Proposed Budget
IP1: Manage loan/grant-funded country programmes for results	691	-	821	5 652	7 164
IP2: Manage grant-funded research and capacity-building programmes for	269	54	37	1 797	2 157
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	1 363	5 058	170	3 375	9 966
IP4: Manage Knowledge relevant to effective rural poverty reduction	427	1 373	176	1 553	3 529
IP5: Mobilise and manage financial resources for rural poverty reduction programmes	1 103	17	3 729	516	5 365
IP6: Build strategic partnership with other actors in rural poverty reduction	891	730	295	1 111	3 027
IP7: Develop innovative approaches to rural poverty reduction	-	15	-	628	643
IP8a: Institutional governance	1 736	6 716	708	87	9 247
IP8b: Institutional management	759	346	19 988	1 448	22 541
Total	7 239	14 309	25 924	16 167	63 639

2006 ADMINISTRATIVE BUDGET BY EXPENSE

2006 ADMINISTRATIVE BUDGET BY EXPENSE FOR ALL DEPARTMENTS (USD '000)					
	Office of the President and the Vice-President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2006 Proposed Budget
Building Maintenance and Security subcontracting costs	-	-	3 290	-	3 290
Duty travel	414	518	282	366	1 580
Information and Communication Technology (ICT) Services	-	-	2 293	-	2 293
Printing, supplies and equipment rental	-	200	2 255	-	2 455
Interpreters/Translators	-	1 809	-	-	1 809
Other 1/	434	1 058	657	110	2 259
Staff Costs	6 154	9 602	17 007	15 522	48 285
Consultants	237	1 122	40	169	1 568
Contingency	-	-	100	-	100
Total	7 239	14 309	25 924	16 167	63 639

1/ Other includes the separation package previously under Complementary Contribution, communication costs relating to major international events and to the Governing Council, the production of exhibits and shipping costs, the cost of EB Directors Field visits, the cost of external audit fees, meetings and seminars and the provision of library books and periodicals.

2006 PDFF BY ACTIVITY

2006 PDFF BUDGET BY INSTITUTIONAL PRIORITY FOR EACH DEPARTMENT (USD '000)					
	Office of the President and the Vice -President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2006 Proposed Budget
IP1: Manage loan/grant-funded country programmes for results	51	0	46	32 156	32 253
IP2: Manage grant-funded research and capacity-building programmes for results	0	0	11	1 612	1 623
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	0	0	0	3 170	3 170
IP4: Manage Knowledge relevant to effective rural poverty reduction	0	0	0	626	626
IP5: Mobilise and manage financial resources for rural poverty reduction programmes	0	0	14	69	83
IP6: Build strategic partnership with other actors in rural poverty reduction	0	0	0	339	339
IP7: Develop innovative approaches to rural poverty reduction	0	0	0	60	60
IP8a: Institutional governance	0	0	0	27	27
IP8b: Institutional management	0	0	0	35	35
Total	51	0	71	38 094	38 216

2006 PDFF BY EXPENSE

2006 PDFF BY EXPENSE FOR EACH DEPARTMENT (USD '000)					
	Office of the President and the Vice - President (OPV)	External Affairs Department (EAD)	Finance and Administration Department (FAD)	Programme Management Department (PMD)	Total 2006 Proposed Budget
Staff Costs	0	0	0	3 740	3 740
Consultants	0	0	0	19 520	19 520
Travel	51	0	61	2 745	2 857
Cooperating Institutions	0	0	0	10 773	10 773
Other 1/			10	1 316	1 326
Total	51	0	71	38 094	38 216

1/ "Other" consists of workshops, goods and services (maps), publication, and logistical related expenses.

BUDGET EXECUTION REVIEW 2004

Overview of 2004 Budget Execution by Source of Funding USD '000

Source of Funding	Restated Budget @ .810	2004 Actual	Variance	% Utilised
IFAD Admin. Budget	52 163	49 756	2 407	95%
OTC	3 860	2 273	1 587	59%
PDFF	39 320	32 207	7 113	82%
Supplementary Funds Administrative Budget	1 274	940	334	74%
Total	96 617	85 176	11 441	88%

Overview of 2004 Budget Execution by Department¹ USD '000

Department	Restated Budget @ .810	2004 Actual	Variance	% Utilised
External Affairs Department (Note 2.)	9 906	10 313	(407)	104%
Finance and Administrative Department	25 206	23 097	2 109	92%
Office of the President and Vice-President	6 677	5 345	1 332	80%
Programme Management Department	54 828	46 421	8 407	85%
Total	96 617	85 176	11 441	88%

1. Includes Administrative Budget, One-time Costs and PDFF

2. Transfers were made from other departments to cover the negative variance of EAD.

BUDGET EXECUTION REVIEW 2004

Overview of 2004 Budget Execution by Institutional Priority¹

Institutional Priority	Restated Budget @ .810	2004 Actual	Variance	% Utilised
Staff Costs	42 856	39 824	3 032	93%
IP 1 Manage Loan Funded Country Program	115	49	66	43%
IP 2 Manage Grant Global/Regional	22	1	21	5%
IP 3 Policy and Strategy Promotion	643	532	111	83%
IP 4 Knowledge Management	953	733	220	77%
IP 5 Mobilise/Manage Resources	386	434	(48)	112%
IP 6 Strategic Partnership Building	275	252	23	93%
IP 7 Develop Innovative Approaches	10	8	2	80%
IP 8 Institutional Governance and Management	12 037	11 136	901	92%
Total	57 297	52 969	4 328	92%

1. Includes Administrative Budget, One-time Costs, (excluding PDFF)

Overview of 2004 Budget Execution PDFF Traditional Presentation USD '000

Fund Source ^{(a), (b)}	Restated Budget @ .810	2004 Actual	Variance	% Utilised (c)
2004 Category A	13 407	9 635	3 772	72%
2004 Category B	15 041	14 272	769	95%
PDFF 2004 Total	28 448	23 907	4 541	84%
2003 Category A	6 436	4 244	2 192	66%
2003 Category B	1 466	1 127	339	77%
PDFF 2003 Total	7 902	5 371	2 531	68%
2002 Carry Forward A	2 698	2 681	17	99%
2002 Carry Forward B	272	248	24	91%
PDFF 2003 Total	2 970	2 929	41	99%
Grand Total	39 320	32 207	7 113	82%

(a) Category A = New Projects

(b) Category B = Ongoing Projects

(c) See Paragraphs 43-46 and 75 for discussion on PDFF carry forward and utilisation.

BUDGET EXECUTION REVIEW 2005 THIRD QUARTER

Overview of 2005 Budget Execution, Third Quarter by Source of Funding, USD '000

Source of Funding	Budget	Pre-encumbrance	Encumbrance	Expense	Available Budget	% Utilised
IFAD Admin. Budget	53 303	457	40 821	8 538	3 487	93%
OTC	3 573	55	1 461	787	1 270	64%
PDFF	36 701	656	15 992	9 549	10 504	71%
Total	93 577	1 168	58 274	18 874	15 261	84%

Overview of 2005 Budget Execution, Third Quarter by Department ^(a) USD '000

Department	Budget	Pre-encumbrance	Encumbrance	Expense	Available Budget	% Utilised
External Affairs Department	13 330	83	9 864	2 639	744	94%
Finance and Administrative Department	24 107	351	15 172	5 692	2 892	88%
Office of the President and Vice-President	4 918	12	4 119	257	530	89%
Programme Management Department ^(b)	51 222	722	29 119	10 286	11 095	78%
Total	93 577	1 168	58 274	18 874	15 261	84%

^(a) Includes Administrative Budget, One-time Costs and PDFF

^(b) PMD includes the PDFF budget that is carried forward according to the PDFF Guidelines, therefore overall PMD percentage utilised is lower than other departments.

**OVERVIEW OF 2005 BUDGET EXECUTION, THIRD QUARTER
BY INSTITUTIONAL PRIORITY¹**
USD '000

Institutional Priority	Budget	Pre-encumbrance	Encumbrance	Expense	Available Budget	% Utilised
Staff Costs	35 323	55	33 124	798	1 346	96%
IP1 Manage Loan Funded Country Program	30 904	551	14 266	7 785	8 302	73%
IP2 Manage Grant Global/Regional	1 601	11	607	418	565	65%
IP3 Policy and Strategy Promotion	5 317	113	1 862	1 934	1 408	74%
IP4 Knowledge Management	807	1	452	149	205	75%
IP5 Mobilise/Manage Resources	1 703	112	816	128	647	62%
IP6 Strategic Partnership Building	912	5	381	271	255	72%
IP7 Develop Innovative Approaches	97	-	63	-	34	65%
IP8 Institutional Governance and Management	16 913	320	6 703	7 391	2 499	85%
Total	93 577	1 168	58 274	18 874	15 261	84%

1. Includes Administrative Budget, One-time Costs and PDFF

**Overview of 2005 Budget Execution, Third Quarter
PDFF Traditional Presentation**
USD '000

Fund Source ^{1,2}	Budget	Pre-encumbrance	Encumbrance	Expense	Available Budget	% Utilised
2005 Category A	14 218	287	3 510	4 877	5 544	61%
2005 Category B	15 750	76	10 409	2 444	2 821	82%
PDFF 2005 Total	29 968	363	13 919	7 321	8 365	72%
2004 Category A	3 782	183	1 085	1 402	1 112	71%
2004 Category B	2 218	63	816	511	828	63%
PDFF 2004 Total	6 000	246	1 901	1 913	1 940	68%
2003 Carry Forward A	733	47	171	314	201	73%
PDFF 2003 Total	733	47	171	314	201	73%
Grand Total	36 701	656	15 991	9 548	10 506	71%

1. Category A = New Projects

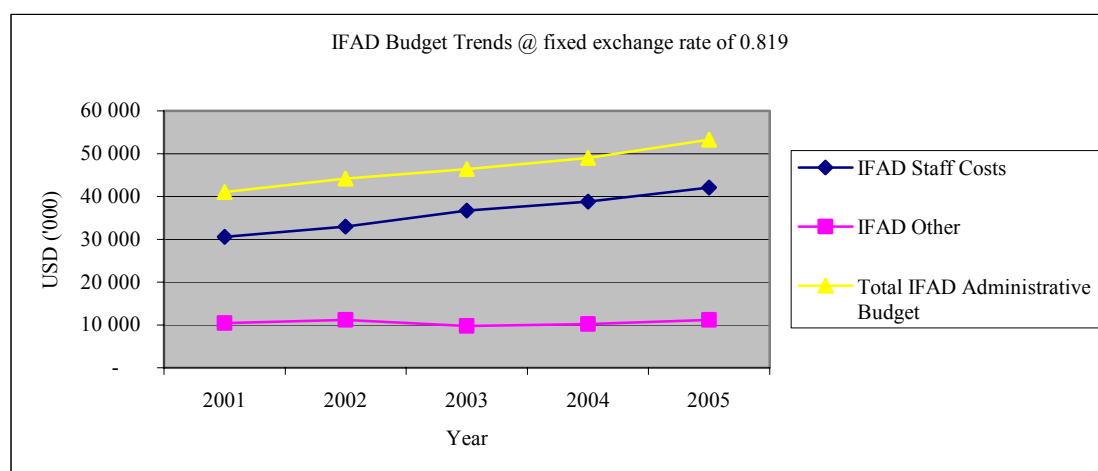
2. Category B = Ongoing Projects

ANNEX IX

BUDGET TRENDS (2001-2005)

USD ('000)						
Table 1						
	2001	2002	2003	2004	2005	Increase 2001-2005
EUR/USD	1.076	1.116	1.07	0.898	0.819	
Administrative Budget						
Staff Costs	27 256	28 760	32 934	36 841	42 085	
Other	11 115	11 514	10 451	9 731	11 218	
Sub-Total	38 371	40 274	43 385	46 572	53 303	
Less:						
Office of Evaluation (OE) - Staff Costs	1 189	1 242	1 543	NA	NA	
OE - Other	2 187	2 205	2 091	NA	NA	
IFAD Staff Costs	26 067	27 518	31 391	36 841	42 085	61%
IFAD Other	8 928	9 309	8 360	9 731	11 218	26%
Total IFAD Administrative Budget	34 995	36 827	39 751	46 572	53 303	52%

Budget Trends from 2001 to 2005 @ Fixed Exchange Rate of 0.819 USD ('000)						
Table 2						
	2001	2002	2003	2004	2005	Increase 2001-2005
EUR/USD	0.819	0.819	0.819	0.819	0.819	
Administrative Budget						
IFAD Staff Costs	30 571	32 998	36 682	38 796	42 085	38%
IFAD Other	10 471	11 163	9 769	10 247	11 218	7%
Total IFAD Administrative Budget	41 042	44 161	46 451	49 043	53 303	30%
Annual Increase: IFAD Staff Costs		7.9%	11.2%	5.8%	8.5%	
Annual Increase: IFAD Other		6.6%	-12.5%	4.9%	9.5%	Annualised
Annual Increase: Total IFAD Administrative		7.6%	5.2%	5.6%	8.7%	6.76%



See paragraphs 78-81 for discussion regarding the above data.

ANNEX X

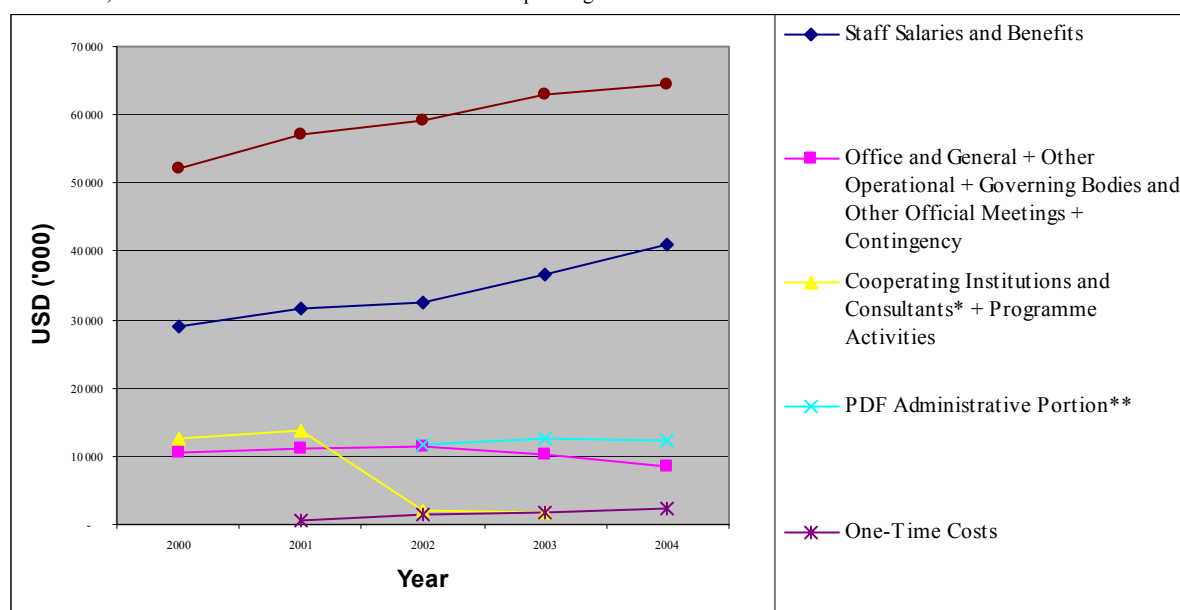
ACTUAL EXPENDITURE (2000-2004)

(USD '000)						
Table 1						
	2000	2001	2002	2003	2004	Increase 2000 - 2004
Average Annual Exchange Rate	1.081	1.132	1.072	0.896	0.810	
Staff Salaries and Benefits	24 373	26 053	27 638	34 547	41 130	
Office and General + Other Operational + Governing Bodies and Other Official Meetings + Contingency	8 834	9 073	9 632	9 772	8 626	
Cooperating Institutions and Consultants* + Programme Activities	12 677	13 750	2 011	1 798		
PDF Administrative Portion**			11 580	12 521	12 374	
One-Time Costs		561	1 559	1 789	2 273	
Total	45 884	49 437	52 420	60 427	64 403	40.4%

@ Fixed 2004 Average Annual Exchange Rate of 0.810						
(USD '000)						
Table 2						
	2000	2001	2002	2003	2004	Increase 2000 - 2004
Staff Salaries and Benefits	28 858	31 749	32 555	36 564	41 130	
Office and General + Other Operational + Governing Bodies and Other Official Meetings + Contingency	10 460	11 057	11 346	10 343	8 626	
Cooperating Institutions and Consultants* + Programme Activities	12 677	13 750	2 011	1 798		
PDF Administrative Portion**			11 580	12 521	12 374	
One-Time Costs		561	1 559	1 789	2 273	
Total Budget	51 995	57 117	59 051	63 015	64 403	23.9%
Annual Increase		9.9%	3.4%	6.7%	2.2%	5.54%

* In 2004, Consultants costs are in both PDF Administrative Portion and Administrative Budget.

** In 2004, PDF Administrative Portion is inclusive of Cooperating Institutions.



See paragraphs 82– 83 for discussion regarding the above data.

EXCHANGE RATE TRENDS

	Administrative Budget Approved @			Average Annual Actual Exchange Rate		
	ITL/USD	EUR/USD	USD Strengthening /(Weakening)	ITL/USD	EUR/USD	USD % Strengthening /(Weakening)
2000	1 977.60	1.021		2,091.00	1.081	
2001	2 084.00	1.076	5.4%	2,161.00	1.132	4.7%
2002	2 091.00	1.080	0.4%	-	1.072	(5.3)%
2003	-	1.070	(0.9)%	-	0.896	(16.4)%
2004	-	0.780	(27.1)%	-	0.810	(9.6)%
2005*		0.819	5.0%		0.794	(2.0)%

* 2005 Actual rate is the average rate for the nine months ended 30th September 2005.

The table shows the rates at which the Administrative budgets were approved each year, which are the rates prevailing at the date of the GC meeting at which the budget is finally approved.

The right hand side of the table shows the actual trend in Average Annual EUR/USD rates, and shows that the USD has been steadily weakening against the Euro since 2001. Comparing the year to date average rate as at September 2005 and the average annual rate for 2001, the USD has weakened by 30%.

2006 STAFF LEVELS ADMINISTRATIVE BUDGET - REGULAR POSTS ONLY

	APR	D-1	D-2	P-5	P-4	P-3	P-2	P-1	Subtotal Professional	Subtotal Support Staff	Grand Total
External Affairs Department (EAD)											
Office of the Assistant President	1	1							2	3.0	5.0
Information and Communication Division		1		2	2		1		6	5.0	11.0
Policy Division		1		2	2				5	4.0	9.0
Office of the Secretary		1		1	5	3	1		11	22.5	33.5
Total EAD	1	4	0	5	9	3	2	0	24	34.5	58.5
Finance and Administration Department (FAD)											
Office of the Assistant President	1								1	1.0	2.0
Office of the Controller		1		5	1	2	1		10	19.5	29.5
Office of Strategic Planning and Budget					1			1	2	1.0	3.0
Office of the Treasurer		1		1	2	1		1	6	4.0	10.0
Office of Human Resources		1			3	1	1		6	8.0	14.0
Management Information Systems Division		1		1	2		3		7	14.5	21.5
Administrative Services Division		1			1	2			4	23.0	27.0
Total FAD	1	5	0	7	10	6	5	2	36	71.0	107.0
Office of the President and Vice-President (OPV)											
Office of the President			1		1				2	3.0	5.0
Office of the Vice-President						1			1	1.0	2.0
Office of Internal Audit				1	1		1		3	2.0	5.0
Office of the General Counsel		1			3	1			5	4.0	9.0
Resource Mobilization Division		1		2	3				6	2.0	8.0
Total OPV	0	2	1	3	8	2	1	0	17	12.0	29.0
Programme Management Department (PMD)											
Office of the Assistant President	1			5	1	1			8	3.0	11.0
Western and Central Africa Division		1		5	4				10	8.0	18.0
Eastern and Southern Africa Division		1		8	2				11	7.0	18.0
Asia and the Pacific Division		1		6	2	1			10	7.0	17.0
Latin America and the Caribbean Division		1		6	1				8	7.0	15.0
Near East and North Africa Division		1		7					8	6.0	14.0
Technical Advisory Division			1	7					8	6.0	14.0
Total PMD	1	5	1	44	10	2	0	0	63	44.0	107.0
Grand Total	3	16	2	59	37	13	8	2	140	161.5	301.5

ANNEX XIII

2006 TOTAL STAFF LEVELS – ADMINISTRATIVE BUDGET

	Continuous	Fixed Term	Temporary Staff (No. of FTEs)	Total
External Affairs Department (EAD)				
Office of the Assistant President	3.00	2.00	0.26	5.26
Information and Communication Division	8.00	9.00	1.00	18.00
Policy Division	7.00	5.00	0.00	12.00
Office of the Secretary	21.50	30.00	11.50	63.00
Total EAD	39.50	46.00	12.76	98.26
Finance and Administration Department (FAD)				
Office of the Assistant President	1.00	1.08	0.00	2.08
Office of the Controller	22.50	10.00	0.00	32.50
Office of Strategic Planning and Budget	2.00	7.00	0.00	9.00
Office of the Treasurer	6.00	8.00	0.00	14.00
Office of Human Resources	10.00	7.16	0.49	17.65
Management Information Systems Division	10.67	21.83	0.00	32.50
Administrative Services Division	25.00	11.47	3.52	39.99
Total FAD	77.17	66.54	4.01	147.72
Office of the President and Vice-President (OPV)				
Office of the President	3.00	2.00	0.00	5.00
Office of the Vice-President	1.00	2.00	0.00	3.00
Office of Internal Audit	4.00	4.00	0.00	8.00
Office of the General Counsel	3.00	12.71	1.25	16.96
Resource Mobilization Division	5.00	5.00	0.00	10.00
North American Liaison Office (NALO)	0.00	3.50	0.00	3.50
Total OPV	16.00	29.21	1.25	46.46
Programme Management Department (PMD)				
Office of the Assistant President	10.00	1.25	0.20	11.45
Western and Central Africa Division	12.00	10.00	0.32	22.32
Eastern and Southern Africa Division	12.00	6.00	0.00	18.00
Asia and the Pacific Division	14.00	3.00	0.25	17.25
Latin America and the Caribbean Division	9.00	7.00	0.50	16.50
Near East and North Africa Division	11.00	3.00	0.00	14.00
Technical Advisory Division	5.00	10.00	0.00	15.00
Total PMD	73.00	40.25	1.27	114.52
Grand Total	205.67	182.00	19.21	406.96

Note: In accordance with the Human resources procedures manual issued on July 2005, staff are classified into the following categories:

- Continuous > 7 years service
- Fixed Term > 1 year service
- Short Term < 12 months service

Staff occupying the 301.5 regular posts are included within the above listed contract types

ANNEX XIV

2006 STAFF LEVELS – ONE-TIME COSTS

	Continuous	Fixed Term	Temporary Staff (No. of FTEs)	Total
External Affairs Department (EAD)				
Office of the Assistant President				0.00
Information and Communication Division				0.00
Policy Division				0.00
Office of the Secretary				0.00
Total EAD	0.00	0.00	0.00	0.00
Finance and Administration Department (FAD)				
Office of the Assistant President				0.00
Office of the Controller				0.00
Office of Strategic Planning and Budget				0.00
Office of the Treasurer				0.00
Office of Human Resources		1.83		1.83
Management Information Systems Division			2.00	2.00
Administrative Services Division				
Total FAD	0.00	1.83	2.00	3.83
Office of the President and Vice-President (OPV)				
Office of the President				0.00
Office of the Vice-President				0.00
Office of Internal Audit				0.00
Office of the General Counsel				0.00
Resource Mobilization Division				0.00
North American Liaison Office (NALO)				0.00
Total OPV	0.00	0.00	0.00	0.00
Programme Management Department (PMD)				
Office of the Assistant President				0.00
Western and Central Africa Division				0.00
Eastern and Southern Africa Division				0.00
Asia and the Pacific Division				0.00
Latin America and the Caribbean Division				0.00
Near East and North Africa Division				0.00
Technical Advisory Division				0.00
Total PMD	0.00	0.00	0.00	0.00
Grand Total	0.00	1.83	2.00	3.83

2006 STAFF LEVELS – PDFF

	Continuous	Fixed Term	Temporary Staff (No. of FTEs)	Total
External Affairs Department (EAD)				
Office of the Assistant President				0.00
Information and Communication Division				0.00
Policy Division				0.00
Office of the Secretary				0.00
Total EAD	0.00	0.00	0.00	0.00
Finance and Administration Department (FAD)				
Office of the Assistant President				0.00
Office of the Controller				0.00
Office of Strategic Planning and Budget				0.00
Office of the Treasurer				0.00
Office of Human Resources				0.00
Management Information Systems Division				0.00
Administrative Services Division				0.00
Total FAD	0.00	0.00	0.00	0.00
Office of the President and Vice-President (OPV)				
Office of the President				0.00
Office of the Vice-President				0.00
Office of Internal Audit				0.00
Office of the General Counsel				0.00
Resource Mobilization Division				0.00
North American Liaison Office (NALO)				0.00
Total OPV	0.00	0.00	0.00	0.00
Programme Management Department (PMD)				
Office of the Assistant President		1.50		1.50
Western and Central Africa Division		9.00		9.00
Eastern and Southern Africa Division		3.84	0.65	4.49
Asia and the Pacific Division		10.00		10.00
Latin America and the Caribbean Division		4.00		4.00
Near East and North Africa Division		7.82		7.82
Technical Advisory Division		4.60	0.40	5.00
Total PMD	0.00	40.76	1.05	41.81
Grand Total	0.00	40.76	1.05	41.81

2006 SUPPLEMENTARY FUNDS AND APO ADMINISTRATIVE BUDGET – REGULAR POSTS ONLY

	APR	D-1	D-2	P-5	P-4	P-3	P-2	P-1	Subtotal Professional	Subtotal Support Staff	Grand Total
External Affairs Department (EAD)											
Office of the Assistant President									0		0
Information and Communication Division									0		0
Policy Division									0	1	1
Office of the Secretary									0		0
Total EAD	0	0	0	0	0	0	0	0	0	1	1
Finance and Administration Department (FAD)											
Office of the Assistant President									0		0
Office of the Controller					1				1	2	3
Office of Strategic Planning and Budget							1		1		1
Office of the Treasurer									0	1	1
Office of Human Resources					1				1	2	3
Management Information Systems Division									0		0
Administrative Services Division									0		0
Total FAD	0	0	0	0	2	0	1	0	3	5	8
Office of the President and Vice-President (OPV)											
Office of the President									0		0
Office of the Vice-President									0		0
Office of Internal Audit									0		0
Office of the General Counsel									0		0
Resource Mobilization Division							1		1		1
Total OPV	0	0	0	0	0	1	0	0	1	0	1
Programme Management Department (PMD)											
Office of the Assistant President									0	1	1
Western and Central Africa Division									0		0
Eastern and Southern Africa Division									0		0
Asia and the Pacific Division									0		0
Latin America and the Caribbean Division									0		0
Near East and North Africa Division									0		0
Technical Advisory Division									0	1	1
Total PMD	0	0	0	0	0	0	0	0	0	2	2
Grand Total	0	0	0	0	2	1	1	0	4	8	12

a
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
ANNEX XVII

2006 TOTAL STAFF LEVEL – SUPPLEMENTARY FUNDS AND APO ADMINISTRATIVE BUDGET

	Continuous	Fixed Term	Temporary Staff (No. of FTEs)	Total
External Affairs Department (EAD)				
Office of the Assistant President				0.00
Information and Communication Division		2.00		2.00
Policy Division		1.00		1.00
Office of the Secretary		1.00		1.00
Total EAD	0.00	4.00	0.00	4.00
Finance and Administration Department (FAD)				
Office of the Assistant President		1.00		1.00
Office of the Controller		3.00	1.00	4.00
Office of Strategic Planning and Budget		1.00		1.00
Office of the Treasurer		2.00		2.00
Office of Human Resources		3.00		3.00
Management Information Systems Division				0.00
Administrative Services Division		3.00		3.00
Total FAD	0.00	13.00	1.00	14.00
Office of the President and Vice-President (OPV)				
Office of the President				0.00
Office of the Vice-President				0.00
Office of Internal Audit				0.00
Office of the General Counsel		0.62		0.62
Resource Mobilization Division	1.00	2.00		3.00
North American Liaison Office (NALO)				0.00
Total OPV	1.00	2.62	0.00	3.62
Programme Management Department (PMD)				
Office of the Assistant President	1.00			1.00
Western and Central Africa Division				0.00
Eastern and Southern Africa Division				0.00
Asia and the Pacific Division		1.00		1.00
Latin America and the Caribbean Division				0.00
Near East and North Africa Division				0.00
Technical Advisory Division	1.00			1.00
Total PMD	2.00	1.00	0.00	3.00
Grand Total	3.00	20.62	1.00	24.62

Note: In accordance with the Human resources procedures manual issued on July 2005, staff are classified into the following categories:

Continuous > 7 years service

Fixed Term > 1 year service

Short Term < 12 months service

Staff occupying the 12 regular posts are included within the above listed contract types

ANNEX XVIII

ANALYSIS OF REGULAR STAFF POSTS

Administrative Budget - Regular Staff by Gender

	Professional			General Service		
	Male	Female	Total	Male	Female	Total
Continuous	46	32	78	22	88	110
Fixed Term	26	23	49	9	38	47
Total	72	55	127	31	126	157

Note: Totals do not include Vacant Posts which are in the process of being filled.

Administrative Budget - Regular Staff Professional to Support Staff Ratio

Department	Professional	Support Staff	Total	Ratio P:G
External Affairs Department (EAD)	24.00	34.50	58.50	0.69
Finance and Administration Department (FAD)	36.00	71.00	107.00	0.50
Office of the President and Vice-President (OPV)	17.00	12.00	29.00	1.42
Programme Management Department (PMD) ^{a)}	63.00	44.00	107.00	1.43
Total	140.00	161.50	301.50	0.87

a) PMD GS staff also support the professional staff funded by the PDFF

Details of Regular Staff Movements

APPOINTMENT TO THE DIRECTOR LEVEL

2004 - 4
2005 - 1

2004 PROMOTIONS*

From GS Category to PR Category - 10
Within PR Category - 15
Within GS Category - 21

** There have been no promotions to date in 2005*

RE-DEPLOYMENTS

2004 - PR Category

1 from Resource Mobilization Division to Strategic Planning and Budget

2005 - PR Category

1 from Eastern and Southern Africa Division to Policy Division
1 from Policy Division to Office of Strategic Planning and Budget
1 from Office of the Controller to Office of the Assistant President (PMD)
1 from Office of the Assistant President (EAD) to Resource Mobilization Division
1 from Office of Strategic Planning and Budget to North American Liaison Office

2005 - GS Category

1 from Office of the Secretary to Information and Communication Division
1 from Office of the Controller to Policy Division
1 from Office of the Controller to Administrative Services Division
1 from Strategic Planning and Budget to Office of the Controller

PROJECTED RESOURCES FOR COMMITMENT 2003-2006

	USD million				SDR million			
	2006	2005	2004	2003	2006	2005	2004	2003
	Estimated	Estimated	Actual	Actual	Estimated	Estimated	Actual	Actual
Committable resources at the beginning of the year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loan Cancellation	50.0	50.0	64.0	37.2	40.0	40.0	42.4	25.7
Exchange rate adjustment	0.0	10.9	1.7	1.6	(5.5)	2.0	21.9	1.1
Movement on contribution provision	0.0	2.2	5.0	13.2	0.0	1.5	3.3	9.1
Sub Total	50.0	63.1	70.7	52.0	34.5	43.5	67.6	35.9
Member contribution (a)	139.2	143.8	348.8	147.0	96.0	99.2	229.8	101.4
Loan reflows	205.0	190.0	219.7	185.2	141.4	131.1	144.7	127.8
Net investment income (b)	80.0	88.0	108.7	108.0	55.2	60.7	71.6	74.5
Operating expenditures (including Office of Evaluation) (c)	(70.6)	(63.1)	(57.1)	(48.9)	(48.7)	(43.5)	(37.6)	(33.7)
After Medical Coverage Scheme (ASMCS)	0.0	0.0	12.3	(4.3)	0.0	0.0	8.1	(3.0)
PDFP	(38.0)	(29.9)	(27.7)	(27.5)	(26.2)	(20.6)	(18.2)	(19.0)
Strategic Change Programme (d)	(4.0)	(2.0)	(4.4)	(6.2)	(2.8)	(1.4)	(2.9)	(4.3)
HIPC Provision (e)	(10.0)	0.0	0.0	(27.0)	(6.9)	0.0	0.0	(18.6)
Resource After Expenditures	351.6	389.9	671.0	378.3	242.5	269.0	463.1	261.0
Commitment for loan and grants (f)	(533.0)	(521.2)	(476.7)	(431.6)	(367.8)	(359.6)	(315.7)	(297.8)
Resources before ACA	(181.4)	(131.3)	194.3	(53.3)	(125.3)	(90.6)	147.4	(36.8)
Net use (cover) ACA (g)	181.4	131.3	(194.3)	53.3	125.3	90.6	(147.4)	36.8

- a) These projections are heavily dependant on the assumptions used for Sixth Rep. contribution payments, which are based on normal and agreed payment.
- b) 2005 estimate based on Aug 2005 estimates and stable rate of return for remainder of year: 2006 estimates maintained at original level.
- c) Operating expenditures include also one-time costs and Field Presence Pilot Programme (FPPP).
- d) Formerly known as process re-engineering programme.
- e) This relates to projected requirements to replenish IFAD HIPC Trust Fund based on repayments for the year net of current and expected IFAD Trust Fund assets.
- f) Commitments for loans and grants include grants approved directly by the President and draft figures for the Eighty-Sixth Session of the Executive Board. The Programme of Work of 2005 is estimated at USD 500 million using the traditional format. The 2005 estimate includes USD 33.6 million relating to the Tsunami projects.
- g) The table below shows details on the use of ACA.

USE OF ACA (a)	USD million				SDR million			
	2006	2005	2004	2003	2006	2005	2004	2003
Opening balance	268.1	136.8	331.1	277.8	184.4	93.8	241.1	204.3
Net use (cover ACA during the year)	181.4	131.3	(194.3)	53.3	125.3	90.6	(147.3)	36.8
ACA carry forward	449.5	268.1	136.8	331.1	309.7	184.4	93.8	241.1

See explanation in Section II of the main text - Resources Available

ANNEX XX

CARRY-FORWARD FUNDS

The Twenty-Seventh Session of the Governing Council held in February 2004 approved amendment of the Financial Regulations of IFAD (Regulation VI, paragraph 2), to authorize the carry-over of unused Administrative Budget allocations, up to a level of 3%. The tables below give the allocation of the 3% carry-over funds in 2005.

(USD '000)			
	Staff	Non-Staff	Total
Carried Forward from 2004 Administrative Budget into 2005	554.0	1 010.0	1 564.0
PMD – Western and Central Africa Division	110.0	16.0	126.0
EAD – Information and Communications Division and Front Office	39.0	189.0	228.0
EAD – Information and Communications Division, Policy Division and Office of the Secretary, Governing Council Costs and Executive Board Costs	236.0	259.0	495.0
FAD – Office of Human Resources, Training Costs		300.0	300.0
FAD – Administrative Services Division, Health, Safety and Security Improvements and Executive Board Costs		57.0	57.0
FAD – Management Information Systems Division , Document Server and additional workstations		85.0	85.0
OPV – North American Liaison Office	132.0		132.0
OPV – Office of Internal Audit, Office of the General Counsel and Office of the Vice-President	37.0	104.0	141.0
Total Allocated	554.0	1 010.0	1 564.0

ESTIMATE OF DIRECT CHARGES ON INVESTMENT INCOME FOR 2006

(USD '000)			
	2005 Budget	2006 Budget	% Increase
Management Fees:			
Fixed Income	1 692	1 815	7%
Diversified F.I.	1 428	1 365	(4)%
Equities	1 315	-	(100)%
T.I.P.s	850	930	9%
Subtotal	5 285	4 110	(22)%
Custodian Fees:			
Core Services (Custody and safekeeping)	424	280	(34)%
Auxiliary Services (Compliance, Analytics)	165	190	15%
Transaction Costs (FXs, TDs, Derivatives)	326	300	(8)%
Subtotal	915	770	(16)%
Advice and Information Services:			
Financial Advisor	250	250	0%
Legal and Tax Advisors	119	130	9%
Financial Information Providers (Bloomberg, Moody)	200	200	0%
Consultants	60	60	0%
Subtotal	629	640	2%
Total:	6 829	5 520	(19)%

The overall 2006 DCII budget forecast is expected to decrease by 19% over the 2005 DCII budget figure. The source of this decrease can be found in two areas: **a)** management fees and **b)** custodian fees.

Management fees decreased by an overall 22% for the following reason: in 2005, the equity exposure in IFAD's investment portfolio was liquidated, resulting in a substantial reduction of fees, due to the fact that the management fees for the equity portfolio constituted 19% of the overall DCII expenses. The proceeds from the liquidation were invested in the held-to-maturity (HTM) portfolio. The HTM is managed in-house, therefore no management fees are generated.

Custodian fees decreased by an overall 16% for the following reason: the liquidation of the equity portfolios resulted in the reduction of both core service and transaction costs. It should be noted that, although internally-managed, the HTM portfolio requires customized compliance monitoring and performance measurement, and this creates a slight increase in auxiliary services.

Against this background of decreased costs, it should be noted that the estimated rate of return on the overall IFAD investment portfolio for 2006 is expected to meet the 3.5% performance target set by the Investment Advisory Committee (IAC).

SUPPLEMENTARY AND COMPLEMENTARY FUNDS

Supplementary Funds

For operating purposes, the supplementary funds are categorised as follows:

Co-financing

Since IFAD started operations in 1978, partners have contributed USD 148 million²⁸ in country co-financing. Approximately USD 10 million are expected to be mobilized in 2006 for country programme and co-financing support from the Netherlands and the United Kingdom for programmes in Bangladesh and Rwanda.

Programmatic and Technical Assistance Resources

IFAD has received the cumulative amount of USD 60.8 million in programmatic supplementary funds. In 2006, approximately USD 10 million are projected to be mobilized for project cycle related Technical Assistance, and thematic or sectoral activities in IFAD member states. These resources are expected from or under discussion with Finland, France, Italy, Portugal, and Switzerland.

APO Resources

Contributions received by IFAD under the Associate Professional Officer Scheme are used to finance salaries and some expenses for junior professionals at IFAD. In 2006 such Supplementary Funds will be received from 9 donor countries to finance the engagement of APOs at headquarters. These member countries are Germany, Denmark, Italy, Japan, Korea (Senior Professional Officer), the Netherlands, Finland, Norway and Sweden and total contributions are expected to be approximately USD 1.8 million for 19 junior professional officers. A future proposed enhancement of the APO programme, to include non-OECD countries²⁹, has been presented to the IFAD VII consultation sessions.

UK Complementary Funds – Innovation Mainstreaming Initiative

The IMI has been set up with three phases: 1) learning (2005); 2) institutionalisation (2006); and 3) consolidation (2007) and these are reflected in the three-year work plan. The accomplishments of the IMI team during 2005 include;

- (i) The Work Programme incorporating a log-frame has been completed.
- (ii) Members of the ISC (Innovation Screening Committee for the bidding process) have been selected and have already taken part in two screening sessions.
- (iii) The competitive bidding process with TOR and Guidelines has been put in place and two rounds of bidding carried out.³⁰
- (iv) The Rapid Fund Facility has been created.
- (v) The theme for the GC panel paper will be Innovation and a concept note on this has been prepared.
- (vi) Innovation brown bag lunch time sessions are up and running and well attended. Three out of the six planned for this year, have already been held. Staff will be requested to suggest future topics. In addition IFAD also financed a corporate wide training programme for all staff in innovation as part of the competency development program.

²⁸ IFAD Annual Report.

²⁹ Repl. VII/4/R.9 Associate Professional Officer Programme.

³⁰ As a result of these two rounds of competitive IMI bidding, eight proposals for a total value of some USD 1.5 million were approved. A third round of bidding will take place during 2005.

Canadian Complementary Funds

The Canadian Complementary Contribution broadly provides support for the achievement of the results and impact objectives of IFAD VI, and they have been applied to finance a number of elements of the IFAD VI plan of action. The Office of the Treasurer has utilised the funds for its Asset Liability Management Unit for the sound and prudent management of the Fund's resources. The funds have also been applied to the strengthening of the Strategic Planning and Budget Unit as well as to operational divisions for the development of capacity to implement the Fund's operational performance objectives (PBAS).

FIELD PRESENCE PILOT PROGRAMME (FPPP)

In September 2003, the Executive Board (supported by the Ad Hoc Working Group of the Executive Board on Field Presence) authorized IFAD to draw up guidelines and criteria for selection of countries and instruments to enhance its in-country presence and to submit an implementation programme, with time-bound proposals for each of the 15 proposals.

The progress report on the FPPP, which was presented to the Executive Board in April 2005, stated that design work on all 15 initiatives has been completed and that six initiatives are operational.³¹

The FPPP will be in its third year of implementation in 2006 and although it is forecast that USD 1.2 million will be spent in 2006, due to delays experienced in starting up the programme, it is expected that programme activities will extend into 2007.

The delays in establishing the Field Presence initiatives are due to logistical difficulties such as considerable time required to negotiate suitable arrangements with partner organizations for housing the field presence personnel. Also, the recruitment process is considerably long as regional agencies need to be consulted for the selection of a suitable candidate. For these reasons it is expected that the FPPP will be extended into 2007. The amount proposed for 2006 is USD 300,000 as shown in the Table below.

Three Year Field Presence Pilot Programme

	2004	2005	2006	2007	TOTAL
			Proposed	Forecast	
USD '000s					
Approved	1200	1200	300	300	3000
Carried forward (estimate)		1113	1113	68	
Available for use	1200	2313	1413	368	
Utilised (forecast)	(87)	(1200)	(1345)	(368)	(3000)
Total available at year end	1113	1113	68	0	

³¹ EB 2005/84/R.39 Progress Report on IFAD Field Presence Pilot Programme.

OE 2006 BUDGET PROPOSAL^a

**Table 1: OE 2006 Budget by Expenditure
(USD '000)**

	2005 Approved Budget at 0.819 (Eur/US\$)	Real Increase or Decrease as compared with 2005 budget	OE Budget After Real Increase/ Decrease	Price Increase	2006 Proposed OE Budget at 0.819
Staff costs					
Regular and fixed-term staff	1 837	12	1 849	40	1 889
Temporary staff	288	-60	228	16	244
Overtime	14	0	14	1	15
Subtotal 1	2 139	-48	2 091	57	2 148
Evaluation work					
Corporate-level evaluations	696	255	951	14	965
Country programme evaluations	592	-187	404	12	416
Thematic evaluations	36	-37	-1	1	0
Project evaluations	784	-169	615	16	631
Other activities ^b	n.a.	295	295	0	295
Subtotal 2	2 108	157	2 265	43	2 307
Evaluation Committee	67	5	72	1	74
Staff travel	263	0	263	5	268
Subtotal 3	330	5	335	7	342
Contingency	114	-114	0	0	0
Grand Total	4 691	0	4 691	105	4 797

^a The budget proposal submitted for review by the Evaluation Committee during its 41st Session on 7 October was higher than the final proposal contained in this document. This is due to the forecast Euro/USD exchange rate as provided by FS in September, at the time of preparing the 2006 budget for review by the Committee in early October.

^b This sub-item was part of the corporate level evaluations sub-item in the 2005 budget.

OE 2006 BUDGET BY ACTIVITY^A

Table 2: OE 2006 Budget by Activity^A (USD '000)

OE Priorities for 2005	2005	%	OE Priorities 2006^b	2006	%
(a) Supervision of the IEE	47	1	(a) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations	3 703	77
(b) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations	3 472	74	(b) Specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee	771	16
(c) Specific evaluation work called for by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee	798	17	(c) Methodological development	131	3
(d) Methodological development, evaluation outreach and other activities	375	8	(d) Evaluation outreach and partnerships	192	4
Total	4 692	100		4 797	100

^a Discrepancies in totals are due to rounding.

^b The 2006 priorities are not the same as those of 2005 (for example, priority (a) in 2005 does not match priority (a) for 2006 and so on). This should be taken into consideration when comparing priorities for the two years.

Table 3: OE Human Resource Requirements in 2006 (as compared with 2005)

	HUMAN RESOURCE CATEGORY	NUMBERS IN 2005	NUMBERS IN 2006
REGULAR	PROFESSIONAL STAFF		
	DIRECTOR	1	1
	DEPUTY DIRECTOR	1	1
	EVALUATION OFFICERS	5	5
	EVALUATION/INFORMATION OFFICER	1	1
	GENERAL STAFF		
	ADMINISTRATIVE ASSISTANT	1	1
	EVALUATION ASSISTANTS	6.5	6.5
	SUBTOTAL	15.5	15.5
TEMPORARY	PROFESSIONAL STAFF	0.5	0.5
	GENERAL STAFF	2	2
	GRAND TOTAL	18	18

OE WORK PROGRAMME FOR 2006

Priority Area	Type of Work	Evaluation Activities	Start Date	Expected Finish	
Priority A: Conduct of selected corporate level, regional strategy, country programme, thematic and project evaluations	1. Corporate level Evaluations	Evaluation of the IFAD Rural Finance Policy	Oct-05	Oct-06	
		Evaluation of the Field Presence Pilot Programme	Jan-06	Jun-07	
		Evaluation of the IEE Action Plan	Dec-06	Dec-07	
		Evaluation of the Regional Strategy in PI*	Apr-05	Jun-06	
		Evaluation of the Regional Strategy in PN	Jan-06	Jun-07	
	2. Country Programme Evaluations	Brazil, PL	Oct-06	Oct-07	
		Ethiopia, PF	Oct-06	Oct-07	
		Mali, PA	Jan-06	Dec-06	
		Morocco, PN	Nov-05	Nov-06	
		Nigeria, PA	Dec-06	Dec-07	
	3. Project Evaluations	3.1 Interim Evaluations	Colombia, Rural Microenterprise Development Programme, PL	Jun-06	Dec-06
			Peru, Development of the Puno – Cusco Corridor Project, PL	Dec-05	Jun-06
	3.2 Completion Evaluations	Belize, Community-initiated Agriculture and Resource Management Project, PL	Dec-06	Jun-07	
		Ethiopia, Southern Region Cooperatives Development and Credit Project, PF	Mar-06	Sep-06	
		Georgia, Agricultural Development Project, PN	Apr-06	Sep-06	
		Morocco, Rural Development Project in the Tafilalet and valley of Dadès, PN	Sep-05	Feb-06	
		Niger, Special Country Programme, Phase II, PA	Apr-06	Sep-06	
Philippines, Cordillera Highland Agricultural Resources Management Project, PI		Jun-06	Dec-06		
Romania, Apuseni Development Project, PN		Jan-06	Jul-06		
Tanzania, Participatory Irrigation Development Programme, PF	Mar-06	Sep-06			

* Proposed for an SDC contribution, as part of the OE/SDC partnership.

Priority B: Specific evaluation work required by the Evaluation Policy for presentation to the EB and EC	4. Evaluation Committee	Implementing of four regular sessions and additional ad hoc sessions, according to the revised TOR and rules of procedure of the Evaluation Committee	Jan-06	Dec-06
		Review of the implementation of the Work Programme and Budget 2006 and Preparation of the Work Programme and Budget 2007	Jan-06	Dec-06
		OE's comments on the President's Report on the Implementation Status and Management Action on Evaluations' Recommendations (PRISMA)	Jan-06	Apr-06
		Fourth Annual Report on the Results and Impact of IFAD Operations (ARRI)	Jan-06	Dec-06
		OE Comments on the PMD Portfolio Performance Report (PPR)	Jan-06	Apr-06
		OE Comments on selected IFAD operation policies prepared by IFAD Management for consideration by the Evaluation Committee	Mar-06	Dec-06
		Field visit of the Evaluation Committee	Nov-06	Nov-06
Priority C: Methodological Development	5. Methodological Work	Methodology Quality Assurance*	Jan-06	Dec-06
		OE's contribution to enhance IFAD self-evaluation activities	Jan-06	Dec-06
		Consultants management	Jan-06	Dec-06
		Conference on Evaluation*	Oct-06	Oct-06
		Peer Reviews of all higher plane evaluations	Jan-06	Dec-06
Priority D: Evaluation Outreach and Partnerships	6. Communication Activities	Reports, Profiles, Insights, OE Website, etc*	Jan-06	Dec-06
	7. Partnerships	SDC; UN Inter-Agency Working Group on Evaluation and ECG	Jan-06	Dec-06
	8. OPV / OE Coordination	Quarterly Activity Review Meetings	Jan 06	Dec-06
	9. Project Development Teams & OSCs as required	Two PDTs per Evaluation Officer per year	Jan-06	Dec-06

* Proposed for an SDC contribution, as part of the OE/SDC partnership.

OE ACHIEVEMENTS IN RELATION TO PLANNED PRIORITIES AND ACTIVITIES IN 2005

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status
(a) Supervision of the Independent External Evaluation of IFAD	1. Independent External Evaluation	Supervision of the IEE	To be completed by July 2005	Completed as planned
(b) Conduct of selected corporate-level, regional strategy, country programme, thematic and project evaluations	2. Corporate-level evaluations	Evaluation of IFAD's direct supervision pilot programme	To be completed by September 2005	Completed as planned
		Evaluation of IFAD's Rural Finance Policy	To start in September 2005	Started as planned
		Evaluation of the regional strategy in PI	To be completed by December 2005	Start up delayed, will be completed by June 2006
		Evaluation of the regional strategy in PN	To start in November 2005	To start as planned
	3. Country programme evaluations	Bangladesh, PI	To be completed by December 2005	Completed in September
		Egypt, PN	To be completed by March 2005	Completed as planned
		Mali, PA	To start in November 2005	To start in January 2006
		Mexico, PL	To be completed by December 2005	Will be completed as planned
		Morocco, PN	To start in November 2005	Will start as planned
		Rwanda, PF	To be completed by December 2005	Will be completed in January 2006
	4. Thematic evaluations	Decentralization efforts in eastern and southern Africa, PF	To be completed by March 2005	Completed as planned
		Organic agriculture in Asia, PI	To be completed by March 2005	Completed as planned
	5. Project evaluations 5.1 Interim evaluations	Ethiopia: Special Country Programme II, PF	To be completed by March 2005	Completed as planned
		Gambia: Rural Finance and Community Initiatives Project, PA	To be completed by January 2005	Completed as planned
		Ghana: Upper East Region Land Conservation and Smallholder Rehabilitation Project, PA	To be completed by September 2005	Will be completed in November 2005
		Ghana: Upper West Agricultural Development Project, PA	To be completed by September 2005	Will be completed in November 2005
		Guinea: Fouta Djallon Local Development and Agricultural Rehabilitation Programme, PA	To be completed by April 2005	Will be completed in December 2005
India: North Eastern Region Community		To be completed by April 2005	Will be completed in December 2005	
	Mexico: Rural Development Project of the Mayan Communities in the Yucatan Peninsula, PL	To be completed by March 2005	Completed as planned	

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status
		Peru: Development of the Puno-Cusco Corridor Project, PL	To start in December 2005	Will start on schedule
		Uganda: District Development Support Programme, PF	To be completed by April 2005	Completed as planned
		Venezuela: Economic Development of Poor Rural Communities Project, PL	To be completed by September 2005	Will be completed in November 2005
	5.2 Completion evaluations	China: Southwest Anhui Integrated Agricultural Development Project, PI	To be completed in March 2006	Will be completed in December 2005
		Mongolia: Arhangai Rural Poverty Alleviation Project, PI	To be completed in March 2006	Will be completed in December 2005
		Morocco: Tafilalet and Dades Rural Development Project, PN	To be completed by September 2005	Will be completed by February 2006
		Mozambique: Family Sector Livestock Development Programme, PF	To be completed by November 2005	Will be completed in December 2005
Romania: Apuseni Development Project, PN	To start in September 2005	To start in January 2006		
(c) Specific evaluation work called for by the Evaluation Policy for presentation to the Executive Board and Evaluation Committee	6. Evaluation Committee	Implementation of four regular sessions and any additional ad hoc sessions according to the proposed revised terms of reference and rules of procedure of the Evaluation Committee	Four regular sessions in 2005	Completed as planned
		Preparation of the work programme and budget for 2006	January-December 2005	Completed as planned
		OE's comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Action (PRISMA)	June-September 2005	Completed on schedule
		Third ARRI	January-September 2005	Presented to the Evaluation Committee & Executive Board in December 2005
		Support to the development of IFAD self-evaluations	Unscheduled	OE contribution to the further development of RIMS and PMD's self-evaluation indicators
		OE Comments on the PMD Progress Report on the Project Portfolio	January-April 2005	Completed as planned

Priority Area	Type of Work	Evaluation Activities	Planned Implementation Status	Present Status
(d) Methodological development, evaluation outreach and other activities	7. Methodological work	Revisiting of CPE methodology and the methodological framework for project evaluation	To be completed by December 2005	Completed as planned
		Proposal for OE's contribution to enhancing IFAD's self-evaluation activities	To be completed by December 2005	Contribution already ongoing
		Conference on Evaluation	December-April 2005	One organised with the World Bank in March and a second one with the AfDB in November 2005
		OE Peer Reviews	January-December 2005	Various CLEs and CPEs
	8. Communication activities	OE reports, evaluation profiles and insights, and web site	January-December 2005	Completed as planned
	9. Management of consultants	Review of OE's approach to enhancing performance and quality	To be completed by December 2005	Completed as planned
	10. Partnerships	United Nations Evaluation Group and the Swiss Development and Cooperation/OE Partnership ^a	January-December 2005	Completed as planned
	11. UNDP Evaluation	Director OE member of international peer review panel to evaluate UNDP's evaluation function	Unscheduled	Completed
12. OPV/OE coordination	Quarterly activity review meetings	Four meetings in 2005	Twos meetings held in 2005	
13. Project development teams (PDTs) and operational strategy committee (OSC)	Two PDTs per Evaluation Officer and OSCs are required	January-December 2005	Completed as planned	

Note: OPV = Office of the President and the Vice-President
 PA = Western and Central Africa Division
 PF = Eastern and Southern Africa Division
 PI = Asia and the Pacific Division
 PL = Latin America and the Caribbean Division
 PN = Near East and North Africa Division

^a OE reached an agreement with the SDC on Phase II of its partnership in evaluation, which will be implemented over the period 2004-2007. As in Phase I, in this phase SDC will make available to OE supplementary funds equivalent to CHF 1.5 million to promote a dialogue aimed at strengthening the role of evaluation in both organisations, as well as other development agencies. Within the framework of OE approved Work Programme and Budget, this will be achieved through incremental activities, such as the development and piloting of new evaluation approaches and methods in line with international evaluation standards, as well as enhanced evaluation outreach and partnerships.

