Distribution: Restricted | EB 2005/86/R.4 | 6 December 2005
Original: English | Agenda Item 4 | English

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IFAD

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Executive Board – Eighty-Sixth Session

Rome, 12-13 December 2005

REPORT OF THE AUDIT COMMITTEE ON THE PROGRAMME OF WORK AND BUDGET OF IFAD AND ITS OFFICE OF EVALUATION FOR 2006

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
APO	Associate Professional Officer
AsDB	Asian Development Bank
COSOP	country strategic opportunities paper
EAD	External Affairs Department
FAD	Finance and Administration Department
FTE	full-time equivalent
IDA	International Development Association
IDB	Inter-American Development Bank
IEE	Independent External Evaluation of IFAD
IFAD VI/VII	Consultation on the Sixth/Seventh Replenishment of IFAD’s Resources
IFI	international financial institution
OE	Office of Evaluation
OPV	Office of the President and the Vice-President
PBAS	Performance-Based Allocation System
PDFF	Programme Development Financing Facility
PMD	Programme Management Department
POW&B	Programme of Work and Budget
SCP	Strategic Change Programme

I. INTRODUCTION

1. At its Eighty-Fifth Meeting, the Audit Committee proposed a new procedure for IFAD's budget process. This included a technical review of the detailed Programme of Work and Budget (POW&B) document by the Audit Committee prior to its submittal to the Executive Board in December for approval to present it to the Governing Council. This pilot procedure was approved by the Eighty-First Session of the Executive Board for two budget cycles starting in 2004. The procedure will be reviewed for its effectiveness at the Eighty-Seventh Session of the Executive Board.

2. As defined in its revised terms of reference, the Audit Committee's technical review does not bring any changes to the policy decisions made by the Board in September 2005 and does not make any recommendation regarding approval of the POW&B document. The Committee's mandate is limited to preparing a report for the Executive Board after reviewing the POW&B document in November.

3. The Audit Committee reviewed the 2006 Programme of Work and Budget of IFAD and its Office of Evaluation (document EB 2005/86/R.3) at its Ninety-First Meeting on 3 November 2005.

4. The present report is composed of three parts: (i) the Committee's analysis of the budget; (ii) a summary of the questions and answers from the Ninety-First Meeting of the Audit Committee; and (iii) annexes. It is to be noted that the conclusion of the Committee's budget analysis gives some indication of the way the budget review could evolve in the future. The report also includes background information prepared by the Secretariat at the Committee's request.

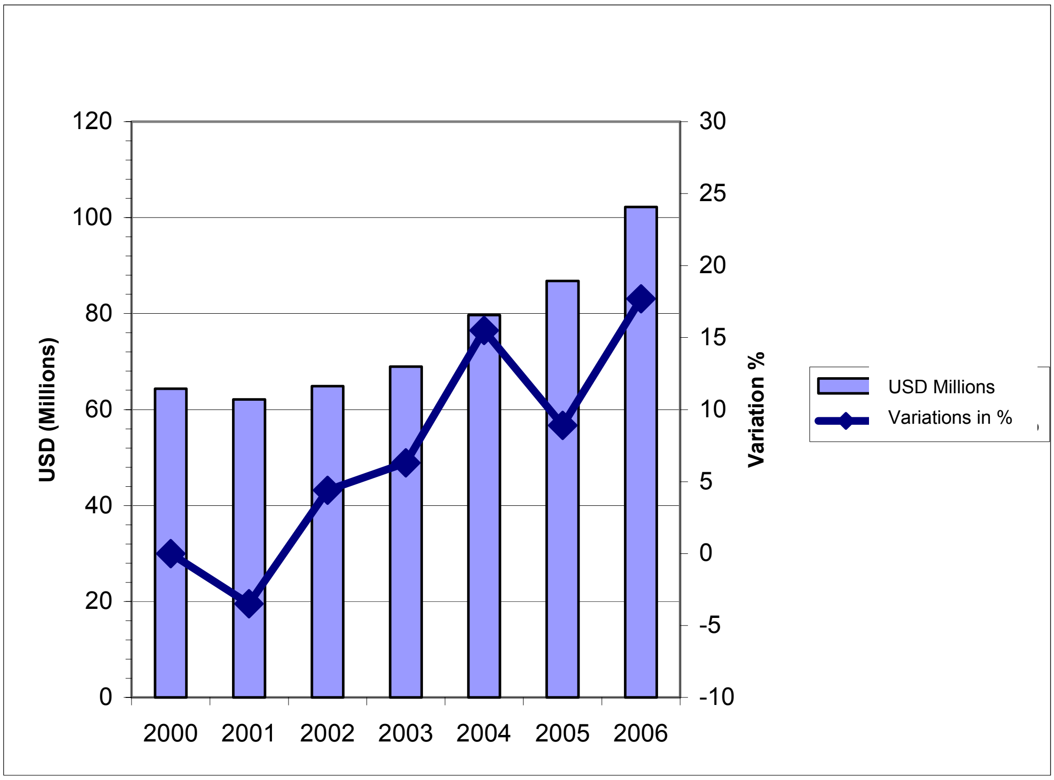
II. AUDIT COMMITTEE REVIEW OF THE 2006 PROGRAMME OF WORK AND BUDGET OF IFAD AND ITS OFFICE OF EVALUATION

Summary of the Budget Review by the Chairperson

A. Main Developments

5. If the proposed 2006 budget is accepted, IFAD's consolidated budget will have increased by 59% in nominal terms – from USD 64.4 million in 2000 to USD 102.2 million in 2006. Computed with a constant exchange rate, the corresponding figures would be USD 68.2 million in 2000 and USD 102.2 million in 2006, showing a 50% increase.[1] This is the nominal increase inclusive of price and real increases.

Figure 1: Budget Trends from 2000-2006 (nominal)



6. A comparison of the proposed 2006 budget with the 2005 "normal consolidated budget"[2] shows an increase from USD 85.2 million to USD 102.2 million, a nominal increase of 20%. Similarly, the administrative budget grew from USD 56 876 000 to USD 64 021 000, a nominal increase of 12.6%.

7. Previous budgets have followed the "zero-real growth rule"; therefore comparisons can also be made on this basis. With a zero-real growth budget for 2006,[3] the price increase is 3.9% (including a 4.4% increase for wages). It is then necessary to add a 13.8% real increase to obtain the proposed figure for 2006. For the administrative budget, the nominal increase includes a 4.8% price increase and a 7.7% real increase. (See Table 1 below)

[1] See Annex I.
[2] Excluding the costs of the Consultation on the Seventh Replenishment of IFAD's Resources (IFAD VII) since these are exceptional.
[3] Estimated by the Secretariat.

Table 1: Comparison of the Proposed 2006 Budget with the 2005 "Normal Consolidated Budget"

	Proposed Budget 2005 as Presented (in 2005 Format)	Price Increase		Budget 2006 on a Zero-Real Growth Basis	Real Increase		Proposed Budget 2006	Nominal Increase (price + volume)	
		USD '000	%		USD '000	%		USD '000	%
IFAD									
Administrative Budget and one-time costs	56 876	2 724	4.8	59 600	4 421	7.7	64 021	7 145	12.6
Programme Development Financing Facility (PDFF)	29 968	666	2.2	30 634	7 582	25.3	38 216	8 248	27.5
Total consolidated budget	**86 844**	**3 390**	**3.9**	**90 234**	**12 003**	**13.8**	**102 237**	**15 393**	**17.7**
Minus exceptional expenditures-IFAD VII Consultation	1 626								
Normal consolidated budget	**85 218**	**5 016**	**5.9**	**90 234**	**12 003**	**14.1**	**102 237**	**17 019**	**20.0**
Special programmes/expenses									
Complementary funds (Canada)	1 511			0	-1 511	-100	0	-1 511	-100
Field Presence Pilot Programme	1 200						300		
Complementary funds (United Kingdom) – Initiative for Mainstreaming Innovation	6 000						1 250		
Direct charges against investment income	6 829						5 520	(1 309)	(19)
Management fee income	2 824						2 474	(350)	(12)

B. Explanation of Budget Growth

8. The Secretariat explained that the budget expansion is predominantly programme-driven (see part III. Questions and Answers from the Meeting). In other words, the principal driver of the budget increase is the growth in the number of projects and the constraints of the Performance-Based Allocation System (PBAS). Of the volume increase, it is estimated that nearly one third is a result of the PBAS. **The Committee wondered if the Executive Board could allow some flexibility in the PBAS so as to eliminate all or part of this budget increase.**

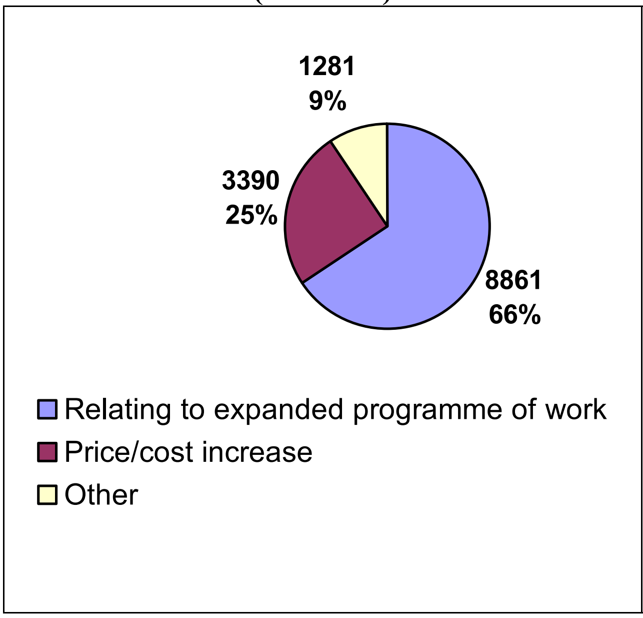
9. Besides the expansion in the programme of work, the Secretariat emphasized two other major contributing factors in the budget's increase, namely the completion of tasks related to the Sixth Replenishment of IFAD's Resources (IFAD VI) and the need to adequately fund the Communications and Policy Divisions, and the Office of Strategic Planning and Budget.

10. Although the expanded work programme – and associated constraints – account for much of the increase in costs (two thirds[4] of the budget increase is attributed to the work programme), the Programme Management Department (PMD) – which is responsible for implementing the programme

4 Table 4 of POW&B.

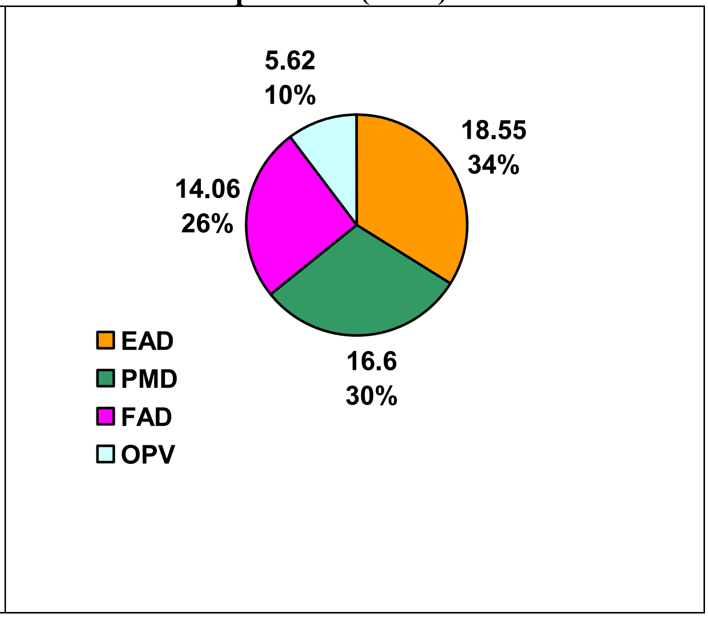
– will account for only one third[5] of the increase in staff. The Secretariat has explained that – by taking into account consultant costs, which constitute a large part of PMD's human resources – 55% of the staff and consultant budget increase is attributed to PMD (see Q10 in part III).

Figure 2: Summary of Net Changes (USD '000)



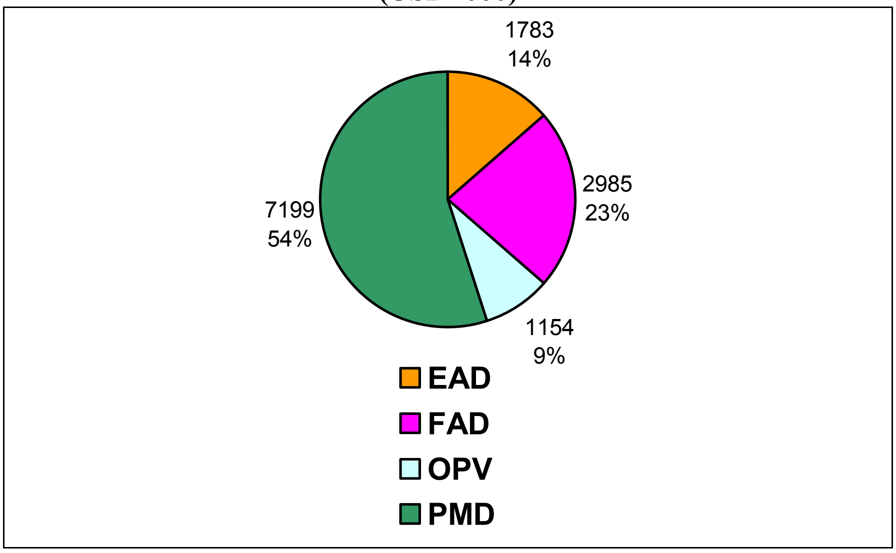
Source: EB 2005/86/R.3 (Table 4)

Figure 3: Increase in Staff Levels by Department (FTEs)



Source: EB 2005/86/R.3 (Table 9)

Figure 4: Increase in Expenditures by Department (USD '000)



Source: Document EB 2005/86/R.3

EAD = External Affairs Department
FAD = Finance and Administration Department
OPV = Office of the President and the Vice-President

5 Table 9 of POW&B: 16.6/54.83 = 30%.

C. Comparison with other International Financial Institutions

11. The Secretariat[6] provided the Committee with administrative cost ratios so as to compare IFAD with other international financial institutions (IFIs). For the year 2004, the ratios were as follows.

Table 2: Comparison of IFAD with Concessional Lending Arms of Other IFIs

	Administrative Costs as a Percentage of Total Programme of Work[a]
IFAD	15.5%
African Development Fund (African Development Bank)	11.3%
Asian Development Fund (Asian Development Bank)	13.3%
Fund for Special Operations (Inter-American Development Bank)	10.6%
International Development Association (World Bank)	10.2%

[a] Actual figures for 2004 (June 2005 for the International Development Association).

12. The Secretariat explained that IFAD's higher ratio related to its project size as well as technical specificities associated with intervening in remote and poor rural zones, etc.

Table 3: Comparison of IFAD Administrative Cost Ratios for 2000-2006 (USD million)

	2000	2001[a]	2002	2003	2004	Projected 2005	Projected 2006
Administrative Budget and PDFF	58.7	62.4	65.5	73.6	73.7	83.3	101.9
Programme of work[b]	441.8	422.4	377.1	423.9	476.7	486.5	533
Percentage ratio of Administrative Budget and PDFF to the programme of work	13.3%	14.8%	17.4%	17.4%	15.5%	17.1%	19.1%

[a] In 2001, the programme of work was reduced to ensure that overall planned commitments, inclusive of foreseen yearly projections for the proposed enhanced Debt Initiative for Heavily Indebted Poor Countries (HIPC), did not exceed USD 400 million. Moreover, 23 long-term temporary posts have been regularized to two-year fixed-term contracts.
[b] Programme of work, excluding transfer to PDFF.

13. For IFAD, the ratio was 13.3% in 2000, 17.4% in 2003 and would reach 19.1% with the proposed 2006 budget.[7] The ratio averaged 14% for the period 2000/2001, 17.4% for 2002/2003, and returned to 15.5% in 2004. During the discussion, the Committee expressed the **wish that a ratio of**

[6] See detailed presentation in Annex II.
[7] The ratio increase between 2005 and 2006 is a result of, inter alia, the increased number of small projects as a result of the implementation of PBAS, the inclusion in the administrative budget of costs previously defined as one-time costs and the funding of new divisions.

overhead to total budget be calculated so as to have an idea of the share of the budget going to operations. The Committee took note of the Secretariat's willingness to continue its work in this difficult area.

D. Trends in Staffing

14. IFAD's staff will grow from 313 full-time equivalents (FTEs) in 1994 to 572.8 FTEs (projected) in 2006 – for an 83% increase for all IFAD staff and an increase of 67% for IFAD core staff. For the 2006 proposal alone, the increment in all staff from 2005 is from 518 to 572.8 (an increase of 10.6%).

Table 4: IFAD Staff
(Expressed in FTEs)

	1994	1999	2003	2004	2005	2006
IFAD core staff [a]	309	367	413	401.5	461	515.8
All IFAD staff [b]	313	379	451	438.5	518	572.8

[a] All staff financed under: the Administrative Budget; one-time costs; supplementary funds and associate professional officer (APO) resources; the PDFF; technical assistance grants; and the Office of Evaluation (OE).
[b] IFAD core staff plus Credit Union staff; staff for specific supplementary fund projects; and the staff of the Belgian Survival Fund, the Global Mechanism of the United Nations Convention to Combat Desertification and the International Land Coalition.

Table 5: Divisions Created in 2003/2004

Divisions	Year of Creation	Original Staff at Creation (FTEs)	Staff in 2005 (FTEs)	Staff Projected in 2006 (FTEs)
Communication	2003	10	17	20
Policy	2003	10	10	13
Office of Strategic Planning and Budget	2004	13[b]	9	10
Resource Mobilization[a]	2003	9[c]	13	13

[a] Previously part of the Economic Policy and Resource Strategy Department.
[b] Inclusive of one position funded under supplementary funds and the APO administrative budget and one position under Strategic Change Programme (SCP) funds for implementation of decentralized budget management.
[c] Inclusive of two positions funded under supplementary funds and the APO administrative budget.

15. Finally, the high number of support staff is striking – the ratio of support staff to professional staff is greater than 50% for regular posts. The ratio rises to 59% in EAD and 66% in FAD. In the current climate of professionalization and given the excellent equipment now available with the implementation of the SCP, an improvement in these ratios would be expected. The percentages of support staff by department are: EAD: 59%; FAD: 66%; OPV: 41.4%; and PMD: 41.1%, bringing the total to 53.5%.

16. According to the Secretariat, these ratios tend to overestimate support staff weighting since General Service staff occupy more than secretarial positions. The programme assistants in PMD are General Service staff, but perform core functions. There are also functions within FAD that are neither clerical nor secretarial, but are still General Service. Furthermore, the ratios above have been calculated on the basis of regular posts only and not on total staff. Still, some rationalization could be hoped for.

17. This year's budget exercise reconfirmed the Committee's view that changes in staffing numbers and patterns should be discussed clearly, logically and systematically with the Executive Board during

the budget[8] process. Efforts made this year by the Secretariat to "clean the past vagaries" (huge increase of personnel and the creation of a division without Board discussion and/or proper funding) make some progress in that direction. **The Committee once again invites the Board to respond to this matter.**

E. Exceptional Modes of Funding

18. Following last year's discussions on one-time expenditures and the zero-real growth budget; this year's budget will be clarified by reintegrating one-time expenditures into the budget (including into the Administrative Budget). In addition to the new post of director previously presented as a one time expenditure, the Secretariat has included within the Administrative Budget, expenditures previously funded "from sources such as grants or supplementary and/or complementary contributions".[9]

19. Therefore, use of complementary and supplementary contributions came in for discussion again this year.[10] In particular, a complementary contribution presented last year providing "support for the achievement of the results and impact objectives of IFAD VI" was used to fund four positions in the Office of Strategic Planning and Budget.[11] This year, as funds have been used up, those positions are included in the "ordinary" budget. This is an excellent example of the **need to reflect more on the rules that should be applied to exceptional funding by Member States.**

F. Various Items

20. The Secretariat proposes to recruit staff and substantially reduce subcontracting translation work. Owing to the complexity of the subject, the Committee felt that the verbal explanation and the two paragraphs added in Q10 (Part III) did not fully clarify the issues. The Committee wondered if there was a sufficiently consistent year-round level of activity and if the new arrangement might be less flexible than the previous one. The Committee was surprised that the Secretariat considered that it was not possible to follow the worldwide move towards teleworking as seen in accounting and other services. The Secretariat explained that although some translators can telework, it is not possible for the whole team to function in this way. The Committee **suggests that a more detailed study be presented next year.**

21. Regarding the costs of the Executive Board and Audit Committee, the Committee proposes that a comparison be made with other IFIs and with the overall budget. Indications in Annex II, Table 3-1 are that IFAD's governance bodies – which rely upon "non-resident" Executive Board Members, who receive no remuneration from the institution – cost much less.

22. Regarding treasury expenses projected for 2006, (as shown in Annex XXI to document EB 2005/86/R.3), the comparison has been updated to include the 2004 final overall approved direct charges against investment income (DCII) (see Table 6). With regard to the 2005 DCII, projections based on year-to-date actuals highlight that the 2005 expenses will be in line with the -5% scenario as expected by the Committee (see Table 6). At USD 5 520 000, the DCII 2006 budget estimate would be about one third of the 2000 costs. The DCII-to-portfolio ratio should come to 0.22% for next year, the lowest rate to date.

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8 The Secretariat requested the adoption of a new approach to personnel issues, based for example on FTEs rather than regular (approved) posts.
9 See Q16.
10 See document EB 2004/83/R.3/Rev.1, paragraph 76.
11 See Q23 and document EB 2004/83/INF. 6.

Table 6: Direct Charges on Investment Income 2000/2006 (USD '000)

	2000	2001	2002	2003	2004	2005 (Scenario + 5%)	2005 (Scenario - 5%)	Projected 2006
DCII budget	14 022	13 620	10 170	5 515	6 713[a]	6 829[b]	5 664	5 520
Portfolio	2 068 191	1 917 089	2 093 993	2 356 921	2 474 767	2 598 505	2 351 029	2 551 760[c]
DCII as a percentage of the portfolio	0.68%	0.71%	0.49%	0.23%	0.27%	0.26%	0.24%	0.22%

[a] The POW&B for 2004 reflects additional funds required for the full financing of the treasury-related inflation-protected securities (TIPs) mandate, the 2003 out-performance of diversified fixed income and the 2004 growth in value of the equities portfolios.

[b] Year-to-date 2005 expenditures are projected to be **lower** than the +5% budget owing to the liquidation of the equity portfolios – whose proceeds were used to fund the held-to-maturity internally managed portfolio – and to the present market financial conditions reflected in a lower total asset value.

[c] 2006 total asset value represents projections and estimates utilized for the 2006 POW&B based on the 3.5% target rate of return and the total asset value as of September 2005.

23. The Committee was very pleased to see the improvement in the DCII ratio that it had called for, and **starting in 2007, would like a benchmarking exercise to be carried out** with other IFIs when the full impact on the new investment policy can be seen in the 2006 figures. It would help to see which is the optimum level of DCII ratio to target in order to minimize treasury costs.

Mobile Telephones

24. Although telecommunications rates are decreasing, the cost of corporate mobile telephones is **growing rapidly**.

Table 7: Cost of Corporate Telephones, 2003-2006

	2003	2004		Estimated 2005		Projected 2006	
	USD	USD	Increase	USD	Increase	USD	Increase
Actual (estimate for 2005	155 290	199 616	28%	269 612	35%		
Computed at a constant rate of USD 1 = EUR 0.819	202 882	218 871	8%	269 612	23%		

25. Moreover, the number of mobile telephones has again increased substantially this year (by 21) and most of them are assigned to FAD. Within FAD, the additional telephones were for use by the Administrative Services Division and the Management Information Systems Division, where the Secretariat considers that staff must be readily contactable in order to provide efficient service. It should be noted that while most of the increase may be within FAD, overall PMD holds 45% of all mobile phones. The ratio of mobile telephones to staff is one for every four FTEs (or one to two regular posts).

26. The report provides information on savings and efficiency resulting from the SCP.[12] Three experienced staff members have been redeployed from the Accounting Section: two to the Loans and Grants Administration Section within FAD and one to the Policy Division in EAD. Numerous other examples of expected savings have been cited by other offices. **The Committee was pleased with these efforts**. **The Committee wondered what savings could be made on completion of the**

[12] A full report on SCP implementation is to be presented to the Executive Board at its December session in 2005.

Consultation on the Seventh Replenishment of IFAD's Resources resulting from the possible reduction and redeployment of the Resource Mobilization Unit.[13]

G. Conclusion

27. This is the second year that the Audit Committee has reviewed the Programme of Work and Budget. The first review, undertaken last year, and the Executive Board's response to it have shown that this exercise is a useful one. Progress has been made on many points, especially the quasi-suppression of one-time costs and the inclusion of data on savings and efficiency. In addition, some ratios have been introduced, as requested by the Executive Board. The number of annexes has been reduced and they are also more focused.

28. Despite the goodwill of the Secretariat and the Committee however, time constraints and the limited experience of its Members (bearing in mind that IFAD does not have a full-time Board and Members' backgrounds are very diverse)[14] have to some extent impeded the Committee's work. Moreover, as the Committee's mandate is strictly defined, the exercise does not at present allow the Committee entirely to complete its task. For instance, it was particularly problematic this year that the Board did not endorse the budget levels during the September session. In such a situation, the Committee should clearly be responsible for proposing some way of establishing the amount, either by suggesting a rate of increase or by prioritizing credit requests, or even by requesting savings on some expenditures. While the Committee has made suggestions on some specific points, it was felt that it did not have the authority to propose an alternative budget.[15]

29. Therefore, more thought should be given to the mandate and format of the group responsible for the POW&B review. As the Audit Committee's members have no specific qualifications for aspects relating to the programme of work, the support of the Evaluation Committee could be valuable on this point. Moreover, ensuring that the majority of its members has some financial background would be welcome. The question of a budget-specific committee could be raised. Progress could perhaps be made in this matter within the IFAD VII Working Group on the Executive Board.

III. QUESTIONS AND ANSWERS FROM THE MEETING

A. Budget of the Office of Evaluation

Q1: What is the impact of the considerable increase in the number of projects on the OE budget?

30. A1: OE does not foresee any impact on its 2006 budget, given that the evaluation process on these projects will take place in several years' time. If required, OE will adjust its programme in due course.

B. IFAD Budget

Programme of Work

Q2: What is the impact of the PBAS application on the proposed 2006 budget? In the benchmarking exercise, IFAD's administrative costs are shown to be on the high side with 19.1% against total programme of work. Does this ratio reflect a one-time increase in the

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13 See response from the Resource Mobilization Division in Annex VIII.

14 This diversity is useful for some of the routine tasks of the Audit Committee, but less so for examination of the audited accounts (March session) or for the budget review (November) as these focus on financial matters.

15 Cf. as well, Secretariat's answer to Q27.

administrative costs or do you expect such increases in the coming years? Can you give us the future trend (three to four years) of average project size? Can we have the estimated number and average size of projects with a more comprehensive set of ratios in the future?

31. A2: The 2006 budget is an exceptional one insofar as it includes a number of important items that are largely one-off in nature and should not be repeated in future budgets. Among these are the integration of one-time costs; the regularization and strengthening of the budget for the Office of Strategic Planning and Budget, and the Policy and the Communications Divisions; and the implementation of the PBAS.

32. A major factor driving the IFAD budget is the number of projects to be developed and being implemented. A review of our costs relative to the concessional lending arms of other IFIs shows that although IFAD's costs per project are comparable with and in some important cases lower than other IFIs, IFAD's overall administrative and project development costs are on the high side – reflecting the relatively high number of projects we develop and supervise vis-à-vis the size of the portfolio (this is expressed, for example, in the relatively low loan amount per project). We have been very conscious of this cost driver, and for many years we have sought to maintain the number of projects at a more or less constant level, and to establish a balance between project approvals and project closures. The increasing level of the lending programme, therefore, has been expressed in higher per-project loan amounts; and both project development and project supervision costs have been maintained at a quite stable level, in line with a zero-real growth approach to the budget.

33. As was explained at the September session of the Board, the application of the PBAS methodology as it currently stands necessitates that IFAD prepare more projects to deliver the lending programme. This is determined not so much by an increase in the lending programme per se as by the need to deliver the PBAS allocations to quite a large number of countries (and IFAD operates in more countries than the IDA) within a relatively short PBAS allocation period. We were concerned by the cost implications of this approach for the PBAS, which is why we signalled to the Executive Board in September the need to revisit the delivery methodology. Specifically, we were concerned by the immediate cost impact of having to prepare more projects and by the longer-term consequences as this increased number of approvals drives a major cumulative increase in the number of projects under supervision.

34. Respecting the existing delivery rules, we are proposing that in 2006 we will submit 37 projects, compared with 28 last year. Of this increase of nine projects, five are attributable to the impact of applying the current PBAS delivery methodology. Let us be quite clear about this: a large part of the increase in the number of projects arises not from the underlying requirements of delivering an expanded volume of lending, but from the particular way in which the PBAS influences how the expanded lending volume is delivered.

35. In effect, the application of the PBAS methodology has forced a "step increase" in the number of projects. Why a step increase? Because most of the increase is driven by the PBAS methodology rather than by the increase in the programme of work, therefore any future increase in the programme of work will not necessarily lead to any further major increases in the number of projects. What we see is that in 2006, we are driven up to a new plateau of project numbers. After 2006, we will have more or less the same number of projects – because that is what is necessary to deliver under the PBAS methodology – but, we hope to have a larger average loan size as we provide expanded resources through a methodology that has been digested, as it were. It is as if IFAD had to shift from providing a taxi service to a bus service: there is a one-time step-up in capital and maintenance costs – but the new service can accommodate a constantly increasing number of passengers compared with the capacity of the taxi.

36. While, therefore, we do not feel that we need to anticipate a repeat of this step increase in the number of projects in the foreseeable future (i.e. after 2006), we continue to reflect upon the need to

revise the PBAS methodology, particularly with regard to both the long-term and the cumulative implications of even this one-off increase for supervision costs – and the consistency of the application of the current methodology with the evolution of IFAD's role and focus.

Influence of Existing PBAS Methodology on the 2006 Budget Proposal

Q3: This issue needs to be brought back to the Executive Board. Can you give us some figures on the 32% increase in the number of projects?

37. A3: The methodology for delivering PBAS allocations determines that five additional projects would need to be presented to commit the lending programme for 2006 in a fashion consistent with PBAS requirements. That is to say, of the increase of nine projects relative to the "normal" lending programme in 2005, five are attributable to the application of the PBAS methodology.

38. Given a proposed lending programme of USD 495 million for 2006, the average loan size using the PBAS methodology would be USD 13.38 million. If the extra five projects had not been required, the average loan size would have been USD 15.47 million.

39. Assuming that the proposed total increase in PDFF "A" is attributable only to the increase in the number of projects relative to 2005, and prorating the PDFF "A" increase among the incremental projects, then the increase attributable to the extra projects required by the application of the PBAS methodology would be:

> the increase in PDFF "A"/9 (total increase in number of projects) x 5 (projects attributable to PBAS)
>
> or USD 4.28 million/9 x 5= **USD 2.37 million**[16]

40. In addition, Table 6 of the 2006 Programme of Work and Budget document submitted to the Audit Committee has a line entitled "Increase in the programme of work and the number of projects". The amount indicated against this line is USD 1.28 million. Assuming that this cost is driven by the total increase in the number of projects, and prorating the cost attributable to application of the PBAS methodology on the basis of the percentage increase in the number of projects attributed to this, the amount under this line attributable to the PBAS is:

> USD 1.28 million/9 x 5=**USD 0.71 million**

41. Therefore, the total increase in the budget for 2006 is, on the basis of this approach to cost attribution, USD 2.37 million + USD 0.71 million = **USD 3.08 million**.

42. The total increase in the consolidated budget for 2006 is USD **13 532 000**. Of this increase, some USD **3.39** million is attributable to cost and price increases. The total real increase, therefore, is USD **10.142 million**. Consequently, the percentage contribution of application of the PBAS methodology to the real increase in the 2006 budget is:

> USD 3.08 million (the PBAS incremental cost)/USD 10.142 million (total real increase)*100=30.37

43. In summary, the proposed budget increase attributable to the application of the PBAS methodology is approximately **USD 3 million**, or approximately **30%** of the real increase proposed in the 2006 Programme of Work and Budget.

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[16] These figures must be taken as approximations, as each project has a different cost. A rapid estimate by PMD shows an incremental cost of approximately USD 2.25 million.

Q4: What is the impact of an increase in the grant programme?

44. A4: The country grant programme represents 5% of IFAD's programme of work, of which a little more that half is transferred to the PDFF. The total cost of developing a grant is lower than that of preparing a loan. However, the proliferation of grants is a concern that needs to be addressed in the context of the Debt Sustainability Framework.

Q5: Explain the decrease in country grants and the increase in the transfer to PDFF in Table 2 of the POW&B document.

45. A5: The increase in the PDFF portion of the country-specific grants is due to the PBAS-driven disproportionate increase in the number of projects proposed within the programme of work.

Approach to Budgeting the Direct Costs of Development and Management of IFAD's Programme of Work of Loans and Grants

Q6: In Table 6 of the POW&B document, what is the basis used for calculating the cost of a project? Do you evaluate the projects on a five-year basis to calculate future project costs? Explain the calculation basis of the different increases in PDFF "A" and PDFF "B" in paragraph 33. Clarify what is meant by the "quality improvement" in paragraph 6 of the executive summary in the POW&B document.

46. A6. The direct expenditures for the development and management of IFAD's programme of work of loans and grants are almost entirely funded through the PDFF. The PDFF is presented to the Executive Board for approval on an annual basis, and is made up of two distinct categories: PDFF "A" – new programme development, and PDFF "B" – ongoing portfolio support.

47. PDFF "A", which relates to the design of new programmes, includes activities starting from strategy formulation (regional strategies and country strategic opportunities papers [COSOPs]) through to loan and grant preparation, including programme start-up. The PDFF "B" finances expenditures related to ongoing programmes (i.e. from the point when they become effective) to support their management. These expenditures are mainly for supervision and loan administration services (provided by internationally recognized cooperating institutions) and for implementation support, mid-term reviews, impact assessments and project completion reports.

48. While the PDFF budget is prepared on an annual basis, it is important to note that the activities it supports relate to processes that mature over several years, and thus the PDFF is to be considered in effect as a budget that is prepared on a rolling basis. The design of new programmes requires on average between 18 and 24 months. Programmes are then approved by the Executive Board at sessions taking place in April, September or December of any given year. The duration of programme implementation is generally three to four years in the case of grant-funded programmes and seven years for loan-funded programmes.

49. The annual allocation of PDFF "A" approved in any given year will generally serve to fund activities needed to complete the development of programmes that are planned for approval by the Executive Board in the same year and activities required to identify new programmes (pipeline development), and to start or continue development of programmes planned for approval in the following two or more years. As such, the annual PDFF "A" budget is prepared as a function of medium-term rolling forecasts of new loan and grant programmes to be delivered across all recipient countries within the subsequent three-to-five year period.

50. Therefore, the formulation of annual PDFF "A" budgets is based initially on an assessment of the activities to be undertaken in the following year in order to ensure timely delivery of new

programmes in line with loan and grant commitments to recipient countries for the following three or more years. Once the required activities are established, the expected costs are estimated. This estimate is based on the trend of actual programme development costs for the last two to three years, and then adjusted accordingly, depending on the nature, size and scope of each programme and whether they are IFAD-initiated. In addition, specific recommendations emerging, inter alia*,* from programme, country, thematic or corporate evaluations are taken into account.

51. The cost of developing loan-funded programmes – by far the most significant component of the PDFF **"**A" in United States dollar value terms – is estimated to be in the range of USD 400 000 to USD 450 000 per loan programme, including activities from COSOP to programme start-up. It should be noted, however, that rather than representing the optimal resource level for high-quality programme development, this range is more the consequence of efforts to do the best possible with the limited resources available (following several years of zero-real growth and increasing programmatic demands). This has inevitably induced the need to scale back the rigour and comprehensiveness of certain aspects of programme design.

52. The preparation of grant programmes is far less resource-intensive, due to both the nature of grant funding (which has generally fewer financial and reporting conditionalities compared with loans) and the fact that a large proportion of IFAD's grants are provided in the form of small grants, which do not require as much effort for preparation. However, the introduction of country grants into the recently revised Policy for Grant Financing is likely to lead to more large grants that are more complex in scope, and require greater resources to develop. Nevertheless, the approach to the costing of grant programme development is very similar to that of loan programmes, as it is based on the prior year's actuals and adjusted according to nature, size and scope. In view of the new focus on country grants, additional resources for grant development have been included in the proposed PDFF **"**A" for 2006.

53. The annual allocation of PDFF "B" is driven principally by the number of loan programmes expected to be under implementation in the following year, and their status of implementation. Approximately two thirds of the PDFF "B" budget relates to payments to cooperating institutions for loan administration and supervision services. These are generally based on standard unit charges negotiated with the cooperating institutions, hence this part of the budget is a straightforward estimate of the number of projects multiplied by the standard unit charge applicable (this charge ranges from approximately USD 50 000 to USD 90 000, depending on the cooperating institution involved).

54. The remainder of the annual PDFF "B" budget is intended to provide additional implementation support, to conduct mid-term reviews, and to produce project completion reports. Implementation support activities are generally prioritized in terms of the quality of programme implementation and their strategic potential, with a view to: (i) addressing problems in programmes experiencing difficulties in a timely manner; and (ii) proactively supporting programmes that are highly innovative or strategic, in order to ensure that potential benefits with respect to knowledge-sharing, policy advocacy, scaling up and replication can be successfully reaped. For mid-term review and project completion reporting activities, the budget is derived from the number of programmes expected to reach the mid-term or completion stage in the following year, multiplied by a unit cost, which is based on the prior year's actuals (in the case of mid-term reviews and project completion reports the unit costs range from USD 20 000 to USD 30 000).

55. In formulating the PDFF "B" budget for 2006, two key additional elements were taken into consideration in order to further increase the quality of programme implementation: (i) the recommendation by the Independent External Evaluation of IFAD (IEE) to have a wider variety of cooperating institutions for loan administration and supervision of IFAD's portfolio of programmes; and (ii) the provision of enhanced implementation support called for by Members and by the agreement at completion point for the evaluation of IFAD's Direct Supervision Pilot Programme. Needless to say, this would be possible only through a higher allocation of resources for

implementation support activities and for cooperating institution charges (since the cooperating institutions that IFAD would seek to collaborate more with, such as the World Bank or the Asian Development Bank, are more expensive than institutions like the United Nations Office for Project Services [UNOPS], to which IFAD has reverted increasingly in past years given resource constraints).

56. Implementation support for grant programmes in USD value terms represents a relatively small portion of PDFF "B". However, as explained above, the new country-specific grant window will generate a breed of grant-financed programmes that will require a higher level of resources, even for implementation support. This evolution in the grants programme has been reflected to some extent in the PDFF "B" proposal for 2006, and is expected to continue to grow in future years as the portfolio of country grants expands.

Q7: What is the ratio of IFAD's operating costs to the total budget, and vis-à-vis other IFIs?

57. A7: The calculation basis for the operating costs differs from one organization to another therefore we need to be prudent in comparing these ratios. For IFAD, we include the PDFF, PMD administrative costs, approximately 33% of the servicing divisions' cost (administrative, information and communications technology, legal, loans administration service costs, etc.) which amounts to about 62% of the total budget. We should look at comparisons with other IFIs with more reserve as different formulas are used for this ratio.

58. A more useful comparison can be made on the basis of the average project costs, as shown in Table 3-2 in Annex II to this document. The average project cost for IFAD is not high compared with other IFIs. In fact, it is within the range of the average project costs for the Asian Development Fund and the Fund for Special Operations of the International Development Bank. However, the increase in the number of projects is causing the administrative costs (here defined as administrative costs plus PDFF) to rise. Furthermore, at present, alignment in the cost reporting with the other IFIs and comparisons are only approximate. It should be noted that other IFIs (with the exception of the World Bank) attribute the administrative costs to their concessional lending arms on a formula basis rather than on an actual cost basis.

Human Resources

Q8: In paragraph 7 in the executive summary of the POW&B document, clarify what is meant by no increase in staff posts and non-post-based recruitment. Does this include consultants? What is the recruitment method used by IFAD? Do pay and benefits vary depending on the type of contract?

59. A8: An increase of 0.5 (from 301 in 2005 to 301.5 in 2006) is proposed in the number of approved posts. The non-post-based recruitment refers to recruitments prompted by short- to medium-term business requirements that are in addition to these approved posts and based on funding availability. Consultants are not included within the definition of staff costs. For a contract of one year or longer, consultants are recruited through a competitive selection process and receive the same pay and benefits. The recruitment method is outlined in Chapter 1 of the new Human Resources Procedures Manual, issued in July 2005.

Q9: Explain the increase of 55 FTEs under the Administrative Budget and 11 FTEs under the PDFF and the decrease of 12 FTEs under one-time costs in Table 8 of the POW&B document.

60. A9: The overall increase of 55 FTEs (shown in Table 9 of the POW&B document) is represented by the increase of 11 FTEs funded through the PDFF, the increase of 55 FTEs funded by the Administrative Budget and the decrease of 12 FTEs through the elimination of one-time costs. The 12 FTEs that were included under one-time costs have been regularized under the Administrative Budget and are therefore part of the 55 FTE increase funded by the Administrative Budget. Any staff previously funded by the Canadian complementary contribution who have been performing ongoing functions are now included in the Administrative Budget.

Q10: How do FTE increases by department in Table 9 of the POW&B document relate to the breakdown of price/cost increases in Table 6 of the POW&B document? How do these increases relate to the estimated operating costs of 30%?

61. A10: In Table 6, there is an increase of USD 7.1 million in the Administrative Budget and one-time costs and of USD 8.2 million in the PDFF. These relate in part to the increase of 54.83 FTEs in Table 9. The FTE increase reflects the factors below.

62. The FTE increase in PMD in Table 9 of the POW&B does not show the entire increase in the PMD manpower required to deliver the increased programme of work and the higher number of projects due to the fact that PMD relies heavily on consultants. The table below shows staff and consultant costs for each department and reveals that, in terms of manpower, PMD accounts for 52% of the total cost and for 55% of the increase proposed for 2006.

63. The growth in the programme of work and in the number of projects generates an increase in the number of staff in the FAD divisions such as the Office of Human Resources for the additional recruitment services, the Administrative Services Division for additional office space, supplies and protocol services, and the Management Information Systems Division for additional computers to service the increased number of staff, consultants and transactions.

**Table 8: 2005-2006 Staff and Consultant Costs
(USD ’000)**

	2005			2006				Increase	
Department	Total Staff Costs	Total Consultant Costs	Total Staff and Consultant Costs	Total Staff Costs	Total Consultant Costs	Total Staff and Consultant Costs	2006 Share of Staff and Consultant Costs (%)	2005-2006 Increase	2005-2006 Increase (%)
EAD	8 723	517	**9 240**	9 901	1 122	**11 023**	**15%**	**1 783**	**14%**
FAD	15 432	167	**15 599**	18 544	40	**18 584**	**25%**	**2 985**	**23%**
OPV	5 511	177	**5 688**	6 605	237	**6 842**	**9%**	**1 154**	**9%**
PMD	17 113	14 926	**32 039**	19 549	19 689	**39 238**	**52%**	**7 199**	**55%**
Total	**46 779**	**15 787**	**62 566**	**54 599**	**21 088**	**75 687**	**100%**	**13 121**	**100%**

64. The proposed USD 7 514 000 for the 2006 Administrative Budget of the Office of the Secretary (ES) represents an 8.83% increase over the forecasted 2005 expenditures. This increase is proposed in part to be able to deliver the increased programme of work proposed for 2006 and in part in anticipation of the increased workload expected in a year following the conclusion of a replenishment exercise, i.e. the work involved in producing documentation required for the IFAD VII Plan of Action.

65. While this latter has still not been completely defined, the fourth session of the Consultation on the Seventh Replenishment of IFAD's Resources reviewed proposals regarding the role of the Executive Board, the majority of which would further increase work, and therefore have cost implications, specifically: briefing Executive Board Directors, expanding the field visit programme, enhancing participation by Board Directors in workshops, extending Executive Board sessions to three days, organizing more informal seminars, and possibly increasing the sessions of the Audit and Evaluation Committees. To this effect, the Consultation suggested that a further subcommittee of the Board be created to review these proposals to establish definitive modalities. This new subcommittee would require financing.

66. To absorb this additional workload – associated with both past initiatives and the new tasks expected for 2006 – ES has proposed the establishment of 13 new fixed-term positions (3 translators, 4 proofreaders, 2 conference clerks, 1 governing body clerk-typist, 1 reference assistant, 1 assistant to the Manager (Assistant Secretary, Governing Bodies/Language Services) and 1 protocol clerk). With a reduction in short-term temporary FTEs proposed for 2006, the overall increase is 11.5 FTEs.

67. The proposal to strengthen in-house staff capacity is made with a view to indicating more realistically the staffing capacity now needed by ES and to counterbalancing the loss of positions recently experienced by the division. To this effect, it should be noted that three posts for Arabic, French and Spanish translators were included in the ES budget until 2001. It should also be noted that the three proposed fixed-term contracts for translators – at the P3 non-local level – would actually constitute a saving as these would cost USD 355 905 compared with the USD 400 000 required to cover the recruitment of temporary translators for 240 staff-days (a saving of USD 44 095).

Q11: In Annex II(a), explain the increase of 2.5% as of November 2005 and the expected further increase of 2.4% in the same period next year.

68. A11: These are the annual price adjustments applied to the cost of living for General Service staff. This is also governed by the International Civil Service Commission (ICSC).

Explanation of Net Changes

Q12: In paragraph 19, it says that "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%." How were these percentages obtained: what are the actual rates of increases in staff costs experienced and the inflation rates used for non-staff costs in the past five years?

69. A12: The inflation rates that have been applied to non-staff costs are as follows: 2.8% in 2001, 2.6% in 2002, 2.6% in 2003, 2.5% in 2004, 2.2% in 2005 and 2.0% in 2006. The source for these rates has been the Economist Intelligence Unit (EIU).

70. The table below provides the estimated price increases versus actual or effective price increases on staff salaries and entitlements since 2000: the planned price increases are intended as those used in the preparation of annual budgets for staff costs, and thus represent the best estimates at the time of budget preparation. Staff costs consist of several elements, each potentially having a different price increase, making aggregation into a composite rate difficult. In this context, it is more appropriate to refer to an overall rate, which indicates the percentage difference in the total staff costs budget before and after the application of the increases in each individual element.

71. In addition to the annual price increases for individual elements of salaries and entitlements, a further increase is applied as per ICSC norms on salaries and post adjustment to cover annual/biennial within-grade increases and expected movements between grades. This is generally 2.5% (the within-grade step increments are subject to satisfactory performance, and the expected movements

between grades may be a result of job reclassification or staff promotion). Thus, increases in the staff costs budget consist of the overall price increase on individual elements of salaries and entitlements plus the 2.5% increase for within-grade step increments and expected movements between grades. With respect to the staff costs budget for 2006, the overall price increase is estimated at 1.57%, which combined with the general increase of 2.5%, yields an overall increase of 4.07%.

72. It should be noted that the estimate made each year takes into account the effective increases for the previous year and not the prior year estimate. The table below shows that between 2000 and 2004, in about two thirds of the cases, the effective percentage was equal to or greater than the estimated percentage. The comparison of individual estimated percentage increases and effective percentages must always be considered in the context of the method of calculation described above. Furthermore, these percentage increases must be applied to the different staff costs to which they relate.

Table 9: Percentage Increase in Salaries, Exchange Rates and Inflation for 2000-2006

	2000 EST	2000 EFF	2001 EST	2001 EFF	2002 EST	2002 EFF	2003 EST	2003 EFF	2004 EST	2004 EFF	2005 EST	2005 EFF[a]	2006 EST
Salaries Increase in salaries and post adjustments due to step or grade increase	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Increase net-base salaries and post-adjustment scale for professional staff	2.5	3.4	5.0	5.1	5.0	3.9	5.7	2.5	2.0		3.0		1.9
Increase pensionable remuneration for professional staff	3.0	3.6	3.0	3.7	3.0	3.8	3.0	5.2	3.0	4.4	3.5	3.8	
Cost of living for General Service staff	3.0		2.5	1.7	2.5	2.9	3.0	2.4	3.0	2.4	3.0		2.5
Salary survey for General Service staff	3.0	4.3											

[a] These percentage increases have been applied to date in 2005.

Note: The estimates (ESTs) are made at the time of the preparation of the budget document, (see document EB 2005/86/R.3 Annex II for details of budget methodology). The column showing effective (EFF) represents the actual of effective percentages.

Q13: Regarding the SCP in paragraph 24, explain recurring costs and savings.

73. A13: Paragraph 24 in the POW&B document describes the details of the increase included in Table 6, while the savings are dealt with in **Section II. D. Savings and Efficiencies** of the POW&B (see also Q21 below). The recurring costs arising from SCP implementation refer to maintenance and refinement of the system based on experience gained so far. Although SCP Phase I is reaching an end, there will still be technical support costs in 2006 to ensure the stabilization of the system so that the full benefits can be reaped.

Q14: Clarify the difference in training referred to in paragraphs 22 and 25 and explain why there is an increase in the training budget.

74. A14: Paragraph 22 refers to basic staff development training as a major corporate requirement to build staff capacity indicated in the IEE findings. Paragraph 25 refers to end-user training as well as refresher courses in PeopleSoft modules, which does not constitute a major expenditure, but is necessary if the system is to be fully rolled out to all staff.

Q15: In paragraphs 26 and 27, explain why you need more staff to implement the anti-corruption, risk management and business continuity policies?

75. A15: The total amount of USD 650 000 reflected in Table 6 of the POW&B document does not relate solely to staff increases. Additional business continuity insurance will cost USD 100 000, while additional information technology infrastructure for disaster recovery will cost USD 200 000. The remaining USD 350 000 relates to risk management and the implementation of the Anti-Corruption Policy, which requires creation of a new position – an investigation officer – and the setting up of a call centre to receive allegations of corruptive practices. Due to the increase in oversight and investigative work, the Office of Internal Audit has been unable to maintain the required level of internal audits and is therefore requesting an increase of 1.4 FTEs for 2006.

Q16: Explain what is meant by consolidation of the Policy and Communications Divisions and the Office of Strategic Planning and Budget.

76. A16: In response to the recommendation by IFAD's governing bodies during IFAD VI, two new divisions were created in 2003 (Policy and Communications) and one in 2004 (Strategic Planning and Budget), which were originally funded through redeployment of staff from other divisions. Within the environment of zero-real growth, these divisions resorted to ad hoc funding from sources such as grants or supplementary and/or complementary contributions. This kind of ad-hoc funding is administratively inefficient and renders reporting of the total costs of these divisions difficult. The consolidation referred to is the inclusion of the divisional costs within the Administrative Budget, since the work of these divisions is now an integral part of the fulfilment of IFAD's mandate and operations. This consolidation is a one-off increase particular to 2006 and such high increases are not foreseen in future years.

Q17: In Table 6 of the POW&B document, the consolidated administrative budgets show an increase of 14.8%. Explain how you assess what is directly related to the increase in the programme of work and the number of projects.

77. A17: In Table 4 of the POW&B document, there is an increase in the consolidated budget of USD 8.861 million related to the expanded programme of work. This amount represents 65% of the total increase in the budget with the following breakdown:

- USD 7.582 000 in PDFF (PDFF "A" – USD 4 281 000 PDFF "B" – USD 3 301 000); and
- USD1.279 000 in the Administrative Budget.

Q18: Provide a detailed breakdown of the IFAD VII Consultations cost in Table 7 of the POW&B document.

78. A18: This is provided in Table 1 of Annex V to this report.

Q19: Explain the reduction and regularization of one-time costs in paragraph 30.

79. A19: The proposed 2006 budget shows a reduction of USD 3.191 million in one-time costs (from USD 3.573 million in 2005 to USD 0.382 million in 2006). The value of items previously included in one-time costs, such as those relating to security guards and oversight costs that have now been incorporated into the Administrative Budget, is USD 2.19 million. The figure of USD 997 000 in Table 6 represents the net reduction in one-time costs after taking into account these amounts that were regularized under the 2006 Administrative Budget.

Q20: In paragraph 36, why is there an increased trend towards project initiation by IFAD as opposed to projects coming from the pipeline of other multilateral financial institutions?

80. A20: The focus on agricultural projects has declined among other multilateral financial institutions, with partnerships and collaboration migrating to the sectoral level. This results in an increased project development cost for IFAD.

Savings and Efficiencies

Q21: How many positions have been saved through the SCP?

81. A21: SCP Phase I has permitted the Accounting Section of the Office of the Controller to cut three positions, which have been moved to strengthen the Loans and Grants Administration Section and the Policy Division. The Office of Strategic Planning and Budget had 13 staff when it was formed in January 2004. Now, it has 10 staff performing a more analytical function, which has been made possible by the implementation of the PeopleSoft Budget Module. The benefits captured from the SCP implementation are both quantitative and qualitative. In terms of savings, we have eliminated some processes in the accounting area that required three FTEs and these resources have been redeployed (2 FTEs to the Loans and Grants Administration Section and 1 FTE to the Policy Division). In terms of increased quality, we now have real-time information from the system that enables us to better monitor and report on financial performance, activities and projections.

82. A detailed report on SCP implementation will be presented to the Executive Board in December 2005.

General

Q22: Can you provide a list of key policy, strategy and other documents expected in 2006?

83. A22: An information paper is scheduled to be provided to the December session of the Executive Board, outlining documents to be prepared in 2006.

Q23: In Table 3, clarify what procedures are applied to Canadian complementary funds and the usage thereof.

84. A23: An information note on complementary and supplementary contributions was provided to the Executive Board at its Eighty-Third Session (document EB 2004/83/INF.6).

85. In summary, complementary contributions are made by Member States within a specified replenishment period and their use is specified in the resolution for the replenishment in question as adopted by the Governing Council. The use of those complementary contributions received after the adoption of the replenishment resolution is approved by the Executive Board. If the complementary contribution is to be used for an established instrument, programme framework or trust fund, then the procedures relevant under those will apply. Other uses of complementary contributions may be determined in the context of IFAD's annual POW&B or by an Executive Board decision.

86. This procedural flow ensures that the receipt of all complementary contributions and the usage thereof must be decided and approved by the governing bodies of IFAD; therefore there is no risk to IFAD that contributing Member States could guide or influence policy decisions.

87. The Canadian complementary contribution provided broad support for the achievement of the results and impact objectives of IFAD VI and was applied to finance elements of the IFAD VI Plan of Action such as asset liability management (ALM) and the strengthening of the Office of Strategic Planning and Budget. The ALM implementation has been completed. However, as the work of the Office of Strategic Planning and Budget will continue, its cost allocation is proposed under the Administrative Budget for 2006 rather than under Canadian complementary funds. This is in line with IFAD's efforts to make the budget exercise more transparent by including the costs of all continuing activities in the regular budget and include only exceptional initiatives under one-time costs and similar funding.

Q24: In Table 3, clarify what is the purpose of the management fees and what is included under that item.

88. A24: The management fees in Table 3 refer to management fee income. IFAD receives income (in the form of management or service charges/fees) by two means: the hosting of independent entities at IFAD, and the management of voluntary contributions (supplementary contributions).

89. **Hosting of independent entities.** At present IFAD hosts two independent entities, the Global Mechanism of the United Nations Convention to Combat Desertification and the International Land Coalition. The framework arrangement with both entities is that IFAD acts as their "service provider". As such, the staff they directly employ are hired exclusively to perform core business functions, and all administrative and service-related functions are "outsourced" to IFAD, for which they pay IFAD a service charge.

90. The service charge thus covers IFAD's estimated costs for performing, for example:

- Services related to Human Resources (HR) for staff recruitment, and servicing related to entitlements and benefits (e.g. processing education grants, home leave and repatriation);
- Finance-related services such as payroll, preparation of annual financial statements and budget management;
- Administrative services for processing privileges and immunities, security, office space management and furniture; and
- Information and communications technology services including provision of hardware, software, help desk support and access to local area networks.

91. **Supplementary funds.** For any funds received by IFAD in the form of supplementary funds (see Governance of Supplementary and Complementary Funds [document EB 2004/83/INF.6]), IFAD levies a management fee. This fee serves the purpose of fulfilling specific requirements in the agreement with the donors, such as thematic focus or reporting requirements.

92. Furthermore, in the context of the Associate Professional Officer programme (which constitutes a sizable portion of supplementary fund contributions), the service charges serve to cover the cost of HR-related work involving travel to donor countries to interview candidates, as well as most of the services referred to under the section on hosting of independent entities (above).

Q25: Can you provide a cost breakdown for these management fees?

93. A25: At present, we do not have a time reporting system that can provide us with an exact resource allocation for the management fees. Therefore, the cost allocation is based on an estimation

of these funds being managed by the functional units (providing services as described above) and on a priority basis.

Q26: Clarify the usage of the complementary funds for the Initiative for Mainstreaming Innovation (IMI) in paragraph 17 and the cost of its secretariat.

94. A26: In December 2004, the Executive Board approved the use of USD 10 million received from the United Kingdom of Great Britain and Northern Ireland. Of this amount, USD 7.25 million is expected to be used for the IMI over the 2005-2006 period for three categories of expenditures:

- A competitive bidding financing line (estimated at USD 4.0 million for the period 2005-2006) where a screening committee selects innovative proposals based on agreed criteria.

- A Rapid Funding Facility (an expected USD 0.8 million for 2005-2006) to provide divisions with the means to quickly mobilize resources to scout for and support innovations. The facility may be used for supporting experimentation.

- Earmarked funds for improving the institutional environment for innovation (an estimated USD 2.4 million for 2005-2006). These funds will finance networks; competitions; learning trips; training; global, regional and national forums; and the administrative costs of the IMI secretariat, consisting mainly of the salary and travel costs of the IMI coordinators.

Q27: In order to assess the proposed increase in the 2006 budget and also the high ratio of administrative costs against the programme of work (19.1%), it would be useful to have budget projections for 2006 and beyond as well as more than one option for the 2006 budget.

95. A.27: This issue was not pursued because the meeting agreed that the Audit Committee’s mandate is restricted to a technical review of the proposed budget and the POW&B document before them.

BUDGET TRENDS

Table 1: Budget Trends from 2000-2006 (nominal) (USD ’000)

	APPROVED						PROPOSED
	2000	2001	2002	2003	2004	2005	2006
EUR/USD	0.932	1.076	1.116	1.07	0.898	0.819	0.819
Administrative Budget							
Staff costs	28 150	27 256	28 760	32 934	36 841	42 085	48 285
Other	25 718	11 115	11 514	10 451	9 731	11 218	15 354
Subtotal	53 868	38 371	40 274	43 385	46 572	53 303	63 639
Less:							
Office of Evaluation (OE) – Staff costs	1 236	1 189	1 242	1 543	NA	NA	NA
OE – Other	2 208	2 187	2 205	2 091	NA	NA	NA
IFAD staff costs	26 914	26 067	27 518	31 391	36 841	42 085	48 285
IFAD other	23 510	8 928	9 309	8 360	9 731	11 218	15 354
Total IFAD Administrative Budget	**50 424**	**34 995**	**36 827**	**39 751**	**46 572**	**53 303**	**63 639**
One-time costs	**1 135**	**1 108**	**1 343**	**1 648**	**4 676**	**3 573**	**382**
PDFF	**12 800**	**26 000**	**26 700**	**27 563**	**28 448**	**29 968**	**38 216**
Total	**64 359**	**62 103**	**64 870**	**68 962**	**79 696**	**86 844**	**102 237**

NA = not applicable

Table 2: Budget Trends from 2000-2006 @ Fixed Exchange Rate of 0.819

	2000	2001	2002	2003	2004	2005	2006
EUR/USD	0.819	0.819	0.819	0.819	0.819	0.819	0.819
Administrative Budget							
IFAD staff costs	28 956	30 571	32 998	36 682	38 796	42 085	48 285
IFAD other	25 294	10 471	11 163	9 769	10 247	11 218	15 354
Total IFAD Administrative Budget	**54 250**	**41 042**	**44 161**	**46 451**	**49 043**	**53 303**	**63 639**
Annual increase: IFAD staff costs		5.6%	7.9%	11.2%	5.8%	8.5%	14.7%
Annual Increase: IFAD other		-58.6%	6.6%	-12.5%	4.9%	9.5%	36.9%
Annual increase: Total IFAD administrative		**-24.3%**	**7.6%**	**5.2%**	**5.6%**	**8.7%**	**19.4%**
One-time costs	**1 164**	**1 394**	**1 641**	**1 942**	**4 948**	**3 573**	**382**
PDFF	**12 800**	**26 000**	**26 700**	**27 563**	**28 448**	**29 968**	**38 216**
Total	**68 214**	**68 436**	**72 502**	**75 956**	**82 439**	**86 844**	**102 237**

COMPARISON WITH INTERNATIONAL FINANCIAL INSTITUTIONS

Introduction

1. For this exercise, we have compared IFAD with the Asian Development Bank (AsDB), the Inter-American Development Bank (IDB) and the African Development Bank (AfDB), and the concessional lending arms of each: the Asian Development Fund (ADF), the Fund for Special Operations (FSO), and the African Development Fund (AfDF) respectively, as well as the International Development Association (IDA).

2. The comparison of budgeted administrative costs and the ratio of certain expenses within the total budget has been made with the AsDB, IDB and AfDB. The budget for these IFIs is prepared for each group as a whole, covering main bank operations, concessional lending funds and any other special funds. Separate budgets are not created for the ADF, FSO or AfDF.

3. It is only at the point of preparing financial statements with actual results that a certain percentage or amount is allocated to each of the concessional funds based on an approved allocation method. Therefore, if a comparison of administrative expenses is to be made between IFAD and the concessional funds, it must use the actual expenditures for those funds.

4. Due to the concessional nature of IFAD's programme of work, any ratio involving the programme of work should be compared with the concessional funds of the IFIs. Such ratios are presented in Table 2 below.

Comparison of Administrative Cost Budgets

5. **Table 1** below presents the administrative cost budgets for IFAD, the AsDB, the FSO (IDB) and the AfDB. The table uses IFAD's budget structure and terminology and the costs of the other entities have been aligned with this. It should be noted that the administrative budgets of the AfDB and IDB cover the same range of expenses, while the AsDB and IFAD distinguish their administrative budgets from their operational expenses and the PDFF.

6. IFAD's percentage of staff costs (50.7%) is lower than that of the other IFIs, but not surprisingly, because of IFAD's frequent use of consultants, this percentage rises to a level similar to the other IFIs when consultant costs and staff costs are considered together. Travel costs as a percentage of total costs approximate those of the IDB, while training cost levels are similar to the AfDB.

Comparison of Administrative Costs in Relation to the Programme of Work

7. **Table 2** below compares IFAD's administrative costs as a percentage of the proposed programme of work with that of the concessional arms of the other IFIs. IFAD's proposed 2006 budget is compared with IFAD's actual results for 2004, as well as the actual results of the other IFIs.

8. With the exception of the IDA,[1] each of the IFIs use cost allocation methodologies approved by their respective boards to charge administrative costs to their concessional funds. The methodologies vary slightly among the banks, but the key parameter in the cost sharing is normally the number of loans and to some extent the size of portfolio (in United States dollars terms). It is interesting to note that the AsDB, in its review of cost allocation methodology, stated that "AsDB staff time, effort, and

[1] IDA costs are input-based using actual cost of time recorded for work delivered in IDA countries.

related expenses required to identify, appraise, process and administer a loan do not vary significantly with the size of the loan but vary with the number of loans."[2]

9. Table 2 below shows that the average size of an IFAD project is substantially smaller. However, the number of projects that IFAD is proposing for 2006 is comparatively higher than those shown for the FSO, although the latter number represents the actual results for 2004 – the actual results for 2006 could potentially be higher. To eliminate this timing difference, average project size is considered, revealing that IDA commits (including overheads) on average USD 54.4 million per project and the AsDF and the FSO commit USD 26 million and USD 23 million respectively per project. Although IFAD's actual average project size (USD 17.7 million) is larger than that of the AfDF, the proposed average for 2006 is slightly lower (USD 13.4 million).

10. Due to IFAD's relatively small size and the economies of scale that larger banks (and therefore their respective concessional funds) enjoy, it is not surprising to find that IFAD's ratio of administrative costs to programme of work is higher than that of the other IFIs. However, IFAD's average cost per project is generally lower compared with the other IFIs.

2 Review of Allocation of Administrative Expenses between Ordinary Capital Resources and Asian Development Fund (R195-03), 15 October 2003.

ANNEX II

Table 1: Comparison of Administrative Cost Budgets with Other IFIs (USD ’000)

	IFAD 2006	AsDB 2005	AfDB 2004	IDB 2004
Administrative budget		**Administrative expenses**	**Administrative expenses**	**Administrative budget**
Building, maintenance and security	3 290	21 598		20 091
ICT services/communications	2 293	6 962	5 333	5 315
Printing, supplies and equipment rental	2 455	23 061	5 904	12 658
Interpreters/translators	*1 809*			
Other	2 259	837	7 286	5 709
Staff costs	47 883	180 746	102 843	275 853
Training/staff development	402	3 267	810	4 175
Consultants	1 568		6 554	40 673
Duty travel	1 580		15 135	16 778
Contingency	100	2 969	1 439	4 182
Subtotal	**63 639**	**239 440**	**145 304**	**385 434**
Board of Governors		975		2 888
Board of Directors		19 477		16 999
PDFF		**Operational expenses**		
Staff costs	3 740			
Consultants	19 520	18 906		
Travel	2 857	19 246		
Cooperating institutions	10 773			
Other	1 326	1 784		
Subtotal	**38 216**	**39 936**	**-**	**-**
Total administrative costs	**101 855**	**299 828**	**145 304**	**405 321**
RATIOS				
Total number of staff	407	2353	1196	2099
Staff costs[a]	51 623	180 746	102 843	275 853
As a % of total costs	**50.7%**	**60.3%**	**70.8%**	**68.1%**
Consultants	21 088	18 906	6 554	40 673
As a % of total costs	**20.7%**	**6.3%**	**4.5%**	**10.0%**
Staff and consultants	72 711	199 652	109 397	316 526
As a % of total costs	**71.4%**	**66.6%**	**75.3%**	**78.1%**
Staff costs as % of only admin. budget	**75.2%**	**75.5%**	**70.8%**	**71.6%**
Training/Staff development	402	3 267	810	4 175
As % of total staff costs	**0.8%**	**1.8%**	**0.8%**	**1.5%**
Travel	4 437	19 246	15 135	16 778
As a % of total costs	**4.4%**	**6.4%**	**10.4%**	**4.1%**
General administrative expenses*	8 038	51 621	11 237	38 064
As a % of total costs	**7.9%**	**17.2%**	**7.7%**	**9.4%**

Sources: IFAD Programme of Work and Budget for 2006; Budget for the Asian Development Bank for 2005; African Development Bank Group 2004 Administrative Expenses and Capital Budgets; Inter-American Development Bank Program and Budget 2004.

[a] Includes staff costs from Administrative Budget, PDFF.
[b] Includes ICT, communications, printing, supplies, building maintenance, equipment rental, security, etc.

Reconciliation to POW&B document:

Total administrative costs above		101 855
One-time costs		382
Management fee income	2 474	
Total in Table 3 of POW&B		**104 711**

Table 2: Comparison of IFAD with Concessional Lending Arms
(USD ’000)

			AsDB	AfDB	IDB	World Bank
	IFAD		Asian Development Fund	African Development Fund	Fund for Special Operations	International Development Association
	Proposed Budget 2006	Actual 2004	Actual 2004	Actual 2004	Actual 2004	Actual 30 June 2005
Total administrative costs	**101 855**	**73 663**	**165 152**	**160 053**	**62 000**	**891 000**
Loans	495 000	443 170	1 242 040	1 089 250	551 600	8 696 100
Grants	38 000	33 480		332 140	31 000	
Total work programme[a]	**533 000**	**476 650**	**1 242 040**	**1 421 390**	**582 600**	**8 696 100**
% of administrative costs to total POW:	**19.1%**	**15.5%**	**13.3%**	**11.3%**	**10.6%**	**10.2%**
Number of projects	37	25	48	92	24	160
Average project size	13 378	17 727	25 876	11 840	22 983	54 351
Average cost/project[b]	2 753	2 947	3 441	1 740	2 583	5 569

Source: Annual Reports

[a] The Asian Development Bank and the World Bank, give grants through other entities within the group and not through their concessional arms. Consequently, the POW for ADF and IDA contains only lending. For IFAD, POW excludes transfer to PDFF and grants.

[b] Average cost/project for those entities with grants is slightly overstated because the total administrative costs also include the costs of preparing and administering grants.

TABLE : SUMMARY OF HUMAN RESOURCES page 1

1994	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C.U.		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	23 074	124	1 055	10	86	1	623	3							181	1					**25 019**	**139**
		159						9								2					**0**	**170**
Short Term Temporary Staff	850	4																			**850**	**4**
																					0	**0**
Overtime + Training	384																				**384**	**0**
																					0	**0**
TOTAL	**24 308**	**287**	**1 055**	**10**	**86**	**1**	**623**	**12**	**0**	**0**	**0**	**0**	**0**	**0**	**181**	**3**	**0**	**0**	**0**	**0**	**26 253**	**313**

1999	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C.U.		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	26 067	134	1 134	23	97	1	709	3							260	2	375	3	171	1	**28 813**	**167**
		158			36	1		9								2		1		1	**36**	**172**
Short Term Temporary Staff	1 102	17					353		370	9					22						**1 847**	**26**
		14																			**0**	**14**
Overtime + Training	665						24														**689**	**0**
																					0	**0**
TOTAL	**27 834**	**323**	**1 134**	**23**	**133**	**2**	**1 086**	**12**	**370**	**9**	**0**	**0**	**0**	**0**	**282**	**4**	**375**	**4**	**171**	**2**	**31 385**	**379**

2003	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C U		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	29 682	135	1 185	27	103	1	796	3							331	2	1 812	9	353	3	**34 262**	**180**
		182			54	1		9								2		5		1	**54**	**200**
Short Term Temporary Staff	2 579	16					398		641	7	1 023	13	157	1	40	1					**4 838**	**38**
		23							464	9				1							**464**	**33**
Overtime + Training	673						20														**693**	**0**
																					0	**0**
TOTAL	**32 934**	**356**	**1 185**	**27**	**157**	**2**	**1 214**	**12**	**1 105**	**16**	**1 023**	**13**	**157**	**2**	**371**	**5**	**1 812**	**14**	**353**	**4**	**40 311**	**451**

2004	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C.U.		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	33 464	127	1 484	14	243	2	991	12													**36 182**	**155**
		174					158	3													**158**	**177**
Short Term Temporary Staff	2 631	21							1 739	22		13		2		4		14		4	**4 370**	**80**
																					0	**0**
Overtime + Training	746																				**746**	**0**
																					0	**0**
TOTAL	**36 841**	**322**	**1 484**	**14**	**243**	**2**	**1 149**	**15**	**1 739**	**22**	**0**	**13**	**0**	**2**	**0**	**4**	**0**	**14**	**0**	**4**	**41 456**	**412**

One-Time Costs	**686**	**11**
	37 527	**333**
Office of Evaluation *		
Regular	**1 500**	**14.5**
Short-Term Temporary	**256**	**1**
OE Total	**1 756**	**15.5**
GRAND TOTAL	**39 283**	**348.5**

*** From 2004 onwards, the Office of Evaluation is considered independent from IFAD**

2005	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C.U.		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	37 646	136	710	18	251	1	1 274	5													**39 881**	**160**
		165				1		8													0	**174**
Fixed Term Staff	4 388	39					1 124	13	2 781	30		30		2		3		15		7	**8 243**	**139**
Short Term Staff		18																			**0**	**18**
Overtime + Training	814																				**814**	**0**
																					0	**0**
TOTAL	**42 798**	**358**	**710**	**18**	**251**	**2**	**2 398**	**26**	**2 781**	**30**	**0**	**30**	**0**	**2**		**3**	**0**	**15**	**0**	**7**	**49 938**	**491**

One-Time Costs	**584**	**9**
	43 382	**367**
Office of Evaluation *		
Regular	**1 837**	**15.5**
Short-Term Temporary	**302**	**2.5**
OE Total	**2 139**	**18**
GRAND TOTAL	**45 521**	**385**

One-Time Costs	9
Office of Evaluation	18
TOTAL	**518**

2006	ADMIN BUDGET		EXTRA BUDGETARY																			
			APO		C.U.		APO + S/F ADMIN		PDFF		TAP		TAG		BSF		GM		ILC		TOTAL	
			IFAD																NON-IFAD			
	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	USD'000	FTEs	**USD'000**	**FTEs**
Regular Staff	38 539	142				1		4													**38 539**	**147**
		161.5				1		8												**0**	**0**	**171**
Fixed Term		86.0		19				12	3 740	41		30		0		3		15		**7**	**3 740**	**213**
Short Term Staff	8 866	19						1		1											**8 866**	**21**
Overtime + Training	880																				**0**	**0**
																					880	**0**
TOTAL	**48 285**	**408.8**	**0**	**19**	**0**	**2**	**0**	**25**	**3 740**	**42**	**0**	**30**	**0**	**0**	**0**	**3**	**0**	**15**	**0**	**7**	**52 025**	**551**

One-Time Costs	**267**	**3.8**		
	48 552	**412.6**		**24.6**
Office of Evaluation *				**41.8**
Regular	**1 889**	**15.5**		**412.6**
Short-Term Temporary	**244**	**2.5**		**479.0**
OE Total	**2 133**	**18**	**Less President and VP**	**-2**
GRAND TOTAL	**50 685**	**431**	**Table & POW&B**	**477**

One-Time Costs	**4**
Office of Evaluation	**18**
TOTAL	**573**

ANNEX IV

NUMBER OF STAFF

1. The table below shows that the total increase in the number of staff since 1994 has been 83.1% or 260 FTEs. Partners hosted by IFAD such as the Global Mechanism of the United Nations Convention to Combat Desertification and the International Land Coalition were created in 1996. Since then the Global Mechanism of the United Nations Convention to Combat Desertification has grown considerably in recent years.

Table: Number of Staff
(Full-time equivalents)

	1994	2003	2006	Increase since 1994	% Increase
IFAD's core[a]	299	398.5	498	199	66.6%
Office of Evaluation[b]	10	14.5	18	8	80.0%
Extra budgetary[c]	4	38	57	53	1325.0%
Total	**313**	**451**	**573**	**260**	**83.1%**

[a] All staff under the Administrative Budget, one-time costs, Supplementary Funds and APO Administrative Budget, APO Budget, PDFF and Technical Assistance Grants.
[b] Since 2004, the Office of Evaluation has become independent from IFAD.
[c] Credit Union, staff for specific Supplementary Fund projects, plus the Belgian Survival Fund, the Global Mechanism of the United Nations Convention to Combat Desertification and the International Land Coalition.

Table 1: Comparative Information on Costs for IFAD V, VI and VII Consultations

	1999-2000		2002		2005										
	IFAD V		IFAD VI		IFAD VII										
	Budget	Actual	Budget	Actual	Budget (One-Time Costs)	Budget (One-Time Costs)	Additional Allocations under 3% Carry Forward	Total Budget	Total Revised Budget[a]	Commit-ments as at October 2005	Balance Available	Forecast of resources required until year end	Total Budget Required	Total Budget Required	Increase[b]
Budget Category	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**USD**	**EUR**	**%**
Conference set-up: equipment, furniture and fittings	-	69 370	-	48 748	82 500	100 733	-	100 733	88 615	68 300	20 315	20 315	88 615	72 576	
Security services	-	30 352	-	14 450	100 000	122 100	-	122 100	37 409	29 100	8 309	8 309	37 409	30 638	
Cleaning, technical and labour services	-	10 486	-	5 738	30 000	36 630	-	36 630	25 769	19 500	6 269	6 269	25 769	21 105	
Postage/pouch/courier	-	21 693	-	14 280	17 500	21 368	-	21 368	34 949	18 500	16 449	16 449	34 949	28 623	
Transportation services	-	2 534	-	4 675	25 000	30 525	-	30 525	25 641	2 060	23 581	23 581	25 641	21 000	
Printing and supplies	-	41 916	-	37 273	45 625	55 708	-	55 708	46 794	16 900	29 894	29 894	46 794	38 324	
Hospitality	-	156 975	-	116 748	86 950	106 166	-	106 166	114 179	78 400	35 779	35 779	114 179	93 513	
Staff Costs	58 443	32 172	26 801	17 956	67 370	82 259	-	82 259	91 097	76 044	15 053	15 053	91 097	74 608	
Communications, security and other services	51 520	-	33 231	-	-	-	-	-					-		
Supplies, printing and miscellaneous	112 847	-	84 690	-	-	-	-	-					-		
Subtotal (FA)	**222 810**	**365 498**	**144 721**	**259 866**	**454 945**	**555 488**	**-**	**555 488**	**464 453**	**308 804**	**155 649**	**155 649**	**464 453**	**380 387**	**46%**
Interpreters	348 642	356 132	182 070	139 396	213 075	260 165	-	260 165	291 412	194 240	97 172	40 000	234 240	191 843	
Translators	95 536	83 965	48 017	119 973	157 610	192 442	27 138	219 580	368 968	381 115	(12 147)	40 000	421 115	344 893	
Duty travel	-	-	-	-	-	-	-	-	45 000	41 283	3 717		41 283	33 811	
Other expenses	-	-	-	-	-	-	240	240	82 416	59 056	23 360		59 056	48 367	
Precis writers	39 368	9 240	-	-	-	-	-	-	0		-		0	-	
Editors	51 611	3 773	29 711	23 371	39 435	48 150	11 739	59 889	59 889	60 437	(548)	10 000	70 437	57 688	
Short-term staff General Service	100 842	90 195	65 854	85 897	109 060	133 162	4 098	137 260	130 916	168 665	(37 749)	20 000	188 665	154 517	
Overtime	73 997	81 522	47 630	31 803	63 880	77 998	6 785	84 783	81 071	39 907	41 164	30 000	69 907	57 254	
Subtotal (ES)	**709 996**	**624 827**	**373 281**	**400 439**	**583 060**	**711 917**	**50 000**	**761 917**	**1 059 672**	**944 703**	**114 969**	**140 000**	**1 084 703**	**888 372**	**122%**
Interim Director (NALO)					126 945	155 000		155 000	152 279	145 354	6 925	0	145 354	119 045	
Contingency for potential costs related to session outside Rome					167 075	203 999		203 999	-	-	-	0	0		
Total	**932 806**	**990 325**	**518 002**	**660 306**	**1 332 025**	**1 626 404**	**50 000**	**1 676 404**	**1 676 404**	**1 398 861**	**277 543**	**295 649**	**1 694 510**	**1 387 804**	**110%**
Number of sessions	7	7	4.25	4.25	5	5	5	5	5	5	5	5	5	5	5
EUR/USD exchange rate	1.080	1.080	1.072	1.072	0.819	0.819	0.819	0.819	0.819	0.819	0.819	0.819	0.819	0.819	

[a] Total revised budget indicated reallocations among categories within the same budget ceiling of USD 1 676 404.

[b] The increase between the total budget required for IFAD VII (EUR) and IFAD VI actual (EUR).
NALO = North American Liaison Office; FA = Administrative Services Division

Note: The current forecast of total costs for IFAD VII consultations is USD 1 694 510. The total amount of USD 1 626 404 approved under one-time costs will be fully utilized as well as the amount of USD 50,000 allocated from 3% carry forward funds. The remaining amount required of USD 18 106 will be re-allocated from savings in the Administrative Budget, during Senior Management's review of third quarter results.

Table 2: Analysis of Increase in Total Replenishment Costs (EUR)

		IFAD V	IFAD VI	IFAD VII	
Total cost[a]		990 325	660 306	1 387 804	
			Less:		
				68 620	Doha
				119 045	NALO Interim Director
				1 200 139	
Number of sessions		7	4.25	5	
Average cost per session		**141 475**	**155 366**	**240 028**	
	Increase in EUR		13 891	**84 662**	
	% Increase		9.8%	54.5%	
	Increase between IFAD VI and IFAD VII represented by:[b]				
				19 341	Facility costs
				8 492	Interpreters
				36 087	Translators
				5 591	Editors
				15 151	Temporary staff and Overtime
				84 662	

[a] The cost per session has been calculated after deducting the Doha and NALO Interim Director costs which are particular to IFAD VII.

[b] Increased costs have been incurred by the Secretariat in a number of areas, in particular for interpretation, editing and translation services. In addition to the fact that the rates charged by translators and interpreters has increased, the original estimate of the size and number of documents has been far exceeded, resulting in additional costs.

Mobile Telephones

1. Total number of mobile phones increased to 158 units in 2005 or by 15.3% compared to last year. On the other hand total costs increased by 23% reaching a total estimated amount of USD 269 612, or USD 1 702 per unit average. The last bimonthly bill, included in the total for 2005, is an estimate using the average of the past months.

2. Another important issue is that since the beginning of 2005 because of successful negotiations with the supplier, rental costs are no longer charged to IFAD resulting in a saving of approximately USD 15 557 per year, or 7% over the 2004 total costs.

3. The following table shows the divisional increase or decrease in the number of mobile phones from 2004 to 2005.

Table: Increase/Decrease in Mobile Telephone

Departments/Divisions	Increase/decrease
Office of the President	2
Office of the Vice-President	-1
Office of the General Counsel	0
Office of Internal Audit	0
Resource Mobilization Division	3
Office of the Assistant President, EAD	-3
Office of the Secretary	2
Communication Division	4
Policy Division	1
Office of the Assistant President, FAD	0
Administration Services Division	6
Management Information Systems Division	4
Human Resources	0
Office of the Controller	-2
Strategic Planning and Budget Division	1
Office of the Treasurer	1
Office of the Assistant President, PMD	2
Western and Central Africa Division	-1
Eastern and Southern Africa Division	0
Asia and the Pacific Division	1
Latin America and the Caribbean Division	0
Near East and North Africa Division	-1
Technical Advisory Division	-2
IFAD total	17
Belgian Survival Fund	0
Global Mechanism/International Land Coalition	2
Office of Evaluation	2
Grand total	21

Administrative Services Division, Management Information Systems Division, Resource Mobilization Division and Communication Division are the ones with the highest increases in the total number of mobile telephones, accounting for 80% of the overall increase.

Table: Percentage Increase in Salaries, Exchange Rates and Inflation for the Period 2000-2006

	2000	2001	2002	2003	2004	2005	2006[d]
Salaries[a]							
Increase on salaries and post adjustments due to step or grade increase	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Increase net base salaries and post adjustment scale for Professional staff	2.5	5.0	5.0	5.7	2.0	3.0	1.9
Increase pensionable remuneration for Professional staff	3.0	3.0	3.0	3.0	3.0	3.5	
Cost of living for General Service staff	3.0	2.5	2.5	3.0	3.0	3.0	2.5
Salary survey for General Service staff	3.0						
Average annual inflation rate[b]	2.1	2.3	2.3	2.1	2.2	2.2	2.0
Average annual USD/EUR movement[c]		4.7	-5.3	-16.4	-9.6	-2.0	NA

[a] These percentage increases have been reflected in the calculation of staff costs for the respective years according to the common standards, methods and arrangements that are applied to salaries, allowances and benefits for UN staff.

[b] Source used was the Economist Intelligence Unit (EIU).

[c] The 2005 increase of the USD/EUR exchange rate relates to the period January-September 2005.

[d] These figures represent the best estimates made at the time of the preparation of the budget document, (see document EB 2005/86/R.3 Annex II for further details).

RESOURCE MOBILIZATION

1. The Resource Mobilization Division will continue the organization's task of creating effectiveness for IFAD VII, post-replenishment resource mobilization with Member States, and non-traditional sources of funding and resource mobilization strategy development. Prior to 2004, the various permanent staff functions related to resource mobilization were dispersed throughout IFAD. By centralizing resource mobilization responsibilities into a single business unit, the division provides the Fund with a cohesive approach, based on a corporate resource mobilization strategy, for the consistent and continued engagement with Member States and other donors. This model is followed by IFAD's closest comparators in the IFI community; which, similar to IFAD, replenish their funds on a cyclical basis while maintaining ongoing institutional relations with all donor groups between replenishments.

2. Among the tasks related to IFAD VII, the division will facilitate the receipt of instruments of contribution and promissory notes to ensure the Consultation is effective within six months of the adoption of the Replenishment resolution. Furthermore, the division is responsible for strengthening and broadening traditional sources of funding for the Fund. Through expanded consultation with Member States on the wider issues, the division will mobilize a wider range of supplemental, flexible funding to support IFAD's programme of work, including thematic earmarked funds and will contribute to diversifying IFAD's funding base by forming new partnerships with non-traditional donors.