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Enabling the rural poor
to overcome poverty

Programme of work and administrative budget of IFAD and its Office of Evaluation for 2007

Executive Board — Eighty-ninth Session
Rome, 12-14 December 2006

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

ACA	advance commitment authority
AfDB	African Development Bank
APO	associate professional officer
ARRI	annual report on the results and impact of IFAD operations
ASMCS	After-Service Medical Coverage Scheme
COSOP	country strategic opportunities programme
CPE	country programme evaluation
EVEREST	evaluation of the Regional Strategy in Asia and the Pacific region
FTE	full-time equivalent
GS	General Service
ICSC	International Civil Service Commission
IFI	international financial institution
IMI	IFAD Initiative for Mainstreaming Innovation
OE	Office of Evaluation (IFAD)
PDFF	Programme Development Financing Facility
PPR	portfolio performance report
POW	programme of work
PRISMA	President's report on the implementation status of evaluation recommendations and management action
UNOPS	United Nations Office for Project Services

Recommendation for approval

The Executive Board is invited to approve the recommendation on the programme of work and administrative budget of IFAD and its Office of Evaluation for 2007 as contained in paragraph 107.

Executive summary

1. The strategic direction of the 2007 programme of work (POW) and budget reflects IFAD's commitment to increasing the level of its assistance for rural poverty reduction, while at the same time improving its development effectiveness and efficiency. The POW and budget contained in this document were formulated taking into account: the Seventh Replenishment agreement; Action Plan deliverables; and the administrative costs benchmark that was adopted during the Executive Board's December 2005 session.
2. The international development community has recognized that extra efforts need to be made in agricultural and rural development, and IFAD has an important contribution to make to reaching the Millennium Development Goals. Not only will IFAD aim to increase its programme of work by 10 per cent each year during the Seventh Replenishment period (2007-2009), but it will improve the effectiveness of these efforts in the Action Plan.
3. The POW for 2007 is proposed at SDR 408.81 million (US\$605 million), subject to resource availability and represents an increase of 10 per cent over the POW proposed for 2006. The 2007 POW would be supported by total administrative costs of US\$101.4 million comprising an administrative budget of US\$67.49 million (2006¹ – US\$64.84 million) and funding for the Programme Development Financing Facility (PDFF) of US\$33.88 million (2006¹ – US\$30.73 million). The supporting budgets have been prepared with an aim of reducing the administrative costs ratio (encompassing the combined administrative budget and the PDFF net of currency movements on the one hand, and the POW net of the transfer to the PDFF on the other) from the agreed cap of 17.1 per cent to 16.8 per cent. Furthermore, in accordance with the policy of devoting a greater portion of the Fund's costs to programme development and implementation, the increase in the PDFF would be 10.3 per cent, while the administrative budget nominal increase of 4.1 per cent consists entirely of price increases.
4. The PDFF will be used to develop pipeline projects but, just as importantly, in 2007 the PDFF will focus on improving portfolio performance and raising the quality of IFAD's field-level operations and country programmes. At the same time, in 2007 the Fund will implement a new corporate planning and performance management system to align its human and financial resources with corporate management results. This will be based on a comprehensive organizational management plan to enhance results orientation at all levels and across all units and will be an essential part of delivering a results-based budget for 2008.

¹ The figure for 2006 has been restated at the exchange rate of EUR/US\$ of 0.786 and includes the International Civil Service Commission (ICSC)-recommended salary increase.

Part One – 2007 Programme of work and budget of IFAD

I. Strategic and budgetary resources framework

1. At its eighty-eighth session, the Executive Board discussed the strategic directions contained in the strategic priorities and programme of work and budget document.¹ As IFAD enters the Seventh Replenishment period its focus will be on achieving the development effectiveness targets set within IFAD's Action Plan for Improving its Development Effectiveness.
2. In accordance with the undertaking agreed to as part of the Seventh Replenishment agreement, the target is to have an increase in the Programme of Work (POW) of 10 per cent each year over the Seventh Replenishment period (2007-2009), subject to availability of resources. The projected resources available for commitment (annex XIX) show that IFAD can sustain the proposed POW increases.
3. It has been agreed with the Executive Board that IFAD's administrative costs ratio (ratio of the administrative budget plus the PDFF to the programme of work, excluding transfers to the PDFF) should be capped at 17.1 per cent and that IFAD should seek to reduce that ratio in future budgets. Within this context, the expenditure on programme development will grow faster than any increase in administrative service costs. Accordingly, the 2007 budget proposal is formulated in a way that the administrative budget component of costs would register zero growth in excess of the impact of price changes. The real increase in administrative costs within the ratio referred to above would be concentrated entirely in the PDFF in direct support of project development and implementation.

II. Institutional efficiency and effectiveness

4. The Fund is committed to improvement of development effectiveness as well as corporate efficiency. This involves adopting a development results orientation within all its internal operational and support departments, and ensuring coherence between IFAD's country-level activities and the management of its budget, human resources and internal processes. This alignment of internal and country-level processes is often referred to as managing for development results.
5. Beginning in 2007, the Fund will implement a new corporate planning and performance management system to fully align its resources (human and financial) with corporate management results, strengthen capacity to proactively monitor and manage performance, and instil a culture of accountability for results. This will be based on a comprehensive organizational management plan to enhance results orientation at all levels and across all units.
6. The IFAD Strategic Framework 2007-2010 being presented to the Executive Board in December 2006 contains a set of corporate management results and corresponding key performance indicators (KPIs). These results and indicators, which are shown in annex I, were approved by Management in 2006. They represent a first iteration that will be reviewed and refined for improvement in 2007, in light of experience in the first year of implementation. Some of the corporate management results are operational in focus but, reflecting the critical importance of non-operational areas of the organization in contributing to better operational performance, corporate management results and KPIs have also been identified for IFAD's support systems. A number of the KPIs are drawn from the Common Performance Assessment System (COMPAS) initiative implemented by the five main multilateral development banks.² The alignment with the COMPAS is a

¹ Document EB 2006/88/R.3/Rev.1, Strategic Priorities and Programme of Work and Budget of IFAD and its Office of Evaluation for 2007.

² African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and the World Bank.

critical feature of the system as it will permit direct comparison and benchmarking with similar organizations.

7. Corporate efficiency contributes to development effectiveness, and the Fund has embarked upon a number of initiatives to improve efficiency. During 2006, IFAD joined the international financial institutions' (IFIs) benchmarking initiative,³ which chose to review the following process areas; the accounting function, the information technology (IT) function and the human resources (HR) function. IFAD has received the results of the accounting function survey and its main conclusion is that IFAD's costs with respect to the general accounting and reporting cycle are above the median. This is not surprising given IFAD's size compared with the other survey participants but it is also the foundation for an ongoing review of opportunities for process rationalization and cost reduction (see annex II for further details). The IT results have been received and are being reviewed, and the HR survey is currently being finalized. In completing the HR survey, the information gathered as part of IFAD's workload survey has been utilized as much as possible (see section VII for further discussion of the workload survey).
8. In addition to the benchmarking initiative, work has commenced on reviewing several processes within the house to identify methods of streamlining and cost-cutting. All five units of the Office of the Secretary (Language Services, Governing Bodies, Member Relations, Conference Services and Information Resources Centre) are currently being reviewed. The work processes of each are being documented, priority areas for improvement are being identified, and recommendations are being made for improvement. Establishment of KPIs will facilitate monitoring of the effectiveness of the suggested improvements.

III. Changes in the budget process

9. In an informal seminar held in September 2005, a paper was presented to the Audit Committee on the comparison of the budget processes within various IFIs.⁴ It was noted that IFAD's budget process had too many iterations, making it costly and cumbersome. In response to that and to recommendations from IFAD's Office of Internal Audit, the budget process in 2006 was simplified and streamlined. Rather than commencing with requests for bottom-up budget submissions, senior management agreed upon four key parameters: the level of POW; the number of projects; an administrative cost ratio that could be sustained; and, within that ratio, the allocation of funds between the PDFF and administrative budget. These clear parameters have simplified the budget formulation process in that the first version of the 2007 budget was submitted in September while, in prior years, the first version was prepared in May to allow for the many subsequent time-consuming iterations. As in prior years, after receiving guidance from the September session of the Executive Board, the budget is being finalized and presented to the November meeting of the Audit Committee as well as to the December session of the Executive Board.
10. The nature of IFAD's budgets, particularly the administrative budget, is that a large portion of the costs are fixed and, therefore, the scope for significant changes is limited in the short term.⁵ While the 2007 budget submissions were being prepared, the divisions were also creating management plans based on a given resource level. The overall focus is moving towards the identification of results and away from the justification of relatively minor budget increases. This represents a crucial first step

³ African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, the World Bank and a number of smaller IFIs are participating in the IFI benchmarking initiative, which has engaged the American Productivity & Quality Centre (APQC) to process and collate the results of the various surveys.

⁴ Audit Committee informal seminar. Agenda item on comparison of budget processes between IFAD and other IFIs.

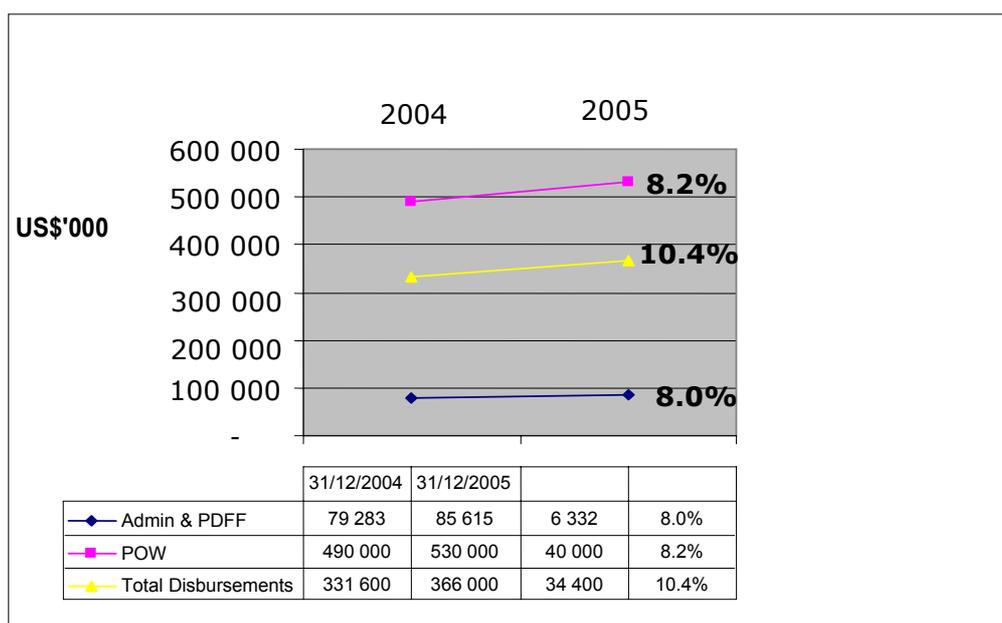
⁵ In the guidelines for preparing the 2007 budgets, divisions were provided with data regarding fixed and variable costs. It was identified that 75 per cent of the administrative budget consists of fixed costs (Finance and Administration – 78 per cent, External Affairs – 55 per cent, Office of the President – 71 per cent and Programme Management – 93 per cent).

towards implementation of “managing for development results” in IFAD, and one of the foundations for the full roll-out of results-based budgeting.

IV. Highlights from 2005 and 2006 to date

11. In order to deliver the 2005 programme of work, the Fund incurred actual expenditure (in nominal terms) of US\$85.6 million. Programme development (PDFF) and administrative expenses were US\$29.1 million and US\$56.5 million respectively, representing a total cost increase of 8 per cent over 2004. This increased expenditure supported an 8.2 per cent increase in the programme of work and an increase of 10.4 per cent in disbursements.

Comparing actual programme of work, disbursements and costs



A. Administrative budget

12. The increase in administrative budget expenditure in nominal terms is partly due to overall budget utilization, which increased from 94 per cent in 2004 to 99.6 per cent in 2005 and resulted in a smaller carry-forward of funds into 2006. Annex VIII shows how the 3 per cent carry-forward funds were allocated in each of the three years since 2004, when the 3 per cent carry-forward policy was introduced.
13. Regular quarterly reviews allowed senior management to reallocate unused funds to areas identified as requiring funds. A beneficiary of reallocations during 2005 was the Office of the Secretary (ES), which was experiencing budget difficulties due to a significant increase in work volume. As indicated in paragraph 8, a review in 2006 of all ES processes will identify steps for improving efficiency in terms of process time and cost. Annex III presents details of 2005 actual versus budget results by funding source and department.
14. Consistent with its nature of being a multi-year facility, utilization of the PDFF is less than for other funding sources. Utilization of the one-time cost budget in 2005 was low due to delays in the pay-for-performance pilot project.
15. Annex III also illustrates budget utilization from the perspective of institutional priorities or activities. Staff costs for regular staff (301.5 approved posts) are presented separately and show a 100 per cent budget utilization. The use of standard costs for development of the staff costs budget was introduced in 2004 for

the 2005 budget. The results show that the standard costs were accurate but left little room for unforeseen events, such as the additional costs relating to increases in medical insurance. Consequently, the standard costs developed for the 2007 budget include increases in these elements in addition to the incorporation of the 12.16 per cent increase recommended by the International Civil Service Commission (ICSC) in the net base salary for General Service staff. The various components of the staff cost increases in 2007 are discussed in section VI.A.

16. Usage of funds in 2005 focused on managing loans, policy and strategy development, knowledge management and institutional governance and management. Budget utilization with respect to resource mobilization, developing innovative approaches and managing grant-funded research and capacity-building programmes was lower than for the other priorities. Strategic emphasis in these areas is evident in the activities reflected in the 2007 budget (see annex XI) and will be subject to further revision in 2007 to ensure that resources are allocated to activities supporting the Fund's strategic priorities as presented to the Executive Board in September 2006.⁶
17. The actual results for 2005 in terms of the administrative costs ratio can be seen in annex X, which also includes the budget and actual results for that year. The divergence between the budget-based ratio and the actual ratio – where the actual result is lower – is largely due to the nature of the PDFF, which covers multi-year commitments and therefore results in lower utilization during the year of approval. This is to be expected due to the nature of the PDFF. However, with the minimal PDFF increase in 2006 over 2005, it is expected that PDFF utilization will increase to a point where the actual ratio will approximate the budget-based ratio of 17.1 per cent.
18. As a result of a request by the Audit Committee to review development operating costs, IFAD conducted a survey of what other IFIs include within administrative costs and how they define development operating costs. The survey revealed that, with the exception of the Asian Development Bank,⁷ all seven participants include within their administrative budget those costs that IFAD includes as part of its PDFF. Further investigation of how other IFIs define development operating costs has revealed that there is no standard definition and what is contained under this category often depends on the structure and size of the organization.
19. The costs included in the administrative budgets of the IFIs surveyed are generally (but not necessarily) divided into four categories for which terminology differs from one IFI to the next.⁸ Not all IFIs make a distinction between direct and indirect costs and may group costs simply into operational and administrative costs.⁹ Only the World Bank and the International Monetary Fund (IMF) have implemented a full overhead costing system whereby indirect costs are applied to development operational units that incur them. In this way the total cost related to each development operational unit can be determined, thereby facilitating billing and full cost recovery. It is not surprising that only the two largest organizations have implemented a full overhead costing system since it is administratively heavy and a critical mass of transactions is required to make it worthwhile.
20. As part of the Audit Committee review of the 2006 POW and budget, Management made a high-level calculation of IFAD's costs directly attributable to development

⁶ Document EB 2006/88/R.3/Rev.1, Strategic Priorities and Programme of Work and Budget of IFAD and its Office of Evaluation for 2007.

⁷ Asian Development Bank sometimes capitalizes appraisal, negotiation and start-up costs into project loans.

⁸

1. Direct operating/direct project costs/operational expenses (i.e. development operating costs).
2. Operational Indirect costs/project related costs (i.e. development operating costs).
3. Non-operational costs/sustaining costs/non-operational support costs/administrative expenses overhead.
4. Non-operational costs/institutional costs/corporate governance / bank-wide costs/administrative expenses overhead.

⁹ This applies to the African Development Bank and Asian Development Bank.

operations, estimating that 59 per cent of total administrative costs could be considered as tallying under that heading. It is commonly thought that costs relating to IFAD's projects and field-level activities are encapsulated by the PDFF alone. However, costs directly attributable to development operations consist of more than just the PDFF and the costs of operations groups included under the administrative budget. The IFI survey revealed that IFIs that do not have full overhead costing usually consider the following types of expenses as either fully or partly relating to development operations: loan administration costs, legal costs and policy work. IFAD is currently completing further analysis of the definition of costs directly attributable to development operations and comparisons of operating cost levels in other organizations. At the eighty-eighth session of the Executive Board it was recommended that the Audit Committee should examine the structure of the presentation of IFAD's budget in the first half of 2007.

B. Programme of work and related use of PDFF

21. In 2005, IFAD completed its largest ever programme of work. The target for 2005 of US\$500 million was surpassed with new loans and grants approved during the year for a total of US\$530 million. This marked an increase of more than 8.2 per cent over total loans and grants approved in 2004. Disbursements were also at a record high in 2005, reaching US\$366 million.
22. During the year, a total of 31 new programmes and projects in 29 countries were approved by the Executive Board for a total of US\$478.44 million. These included four programmes approved outside the Regular Programme for countries hit by the December 2004 tsunami. A total of 11 projects/programmes benefited sub-Saharan countries. Eighty-five per cent of the new loans approved during the year were on highly concessional terms. A total of 66 grants were approved under the global/regional and country-specific grant windows for a total of US\$36.6 million.
23. In terms of cofinancing of IFAD projects, 29 of the 31¹⁰ programmes and projects approved in 2005 were designed and initiated by IFAD. Of these, 17 will receive external cofinancing for US\$99.2 million and domestic contributions – from recipient governments and other local sources – for another US\$331.7 million. IFAD approved two loans amounting to US\$17.2 million for two projects/programmes initiated by cofinancing institutions.
24. The 2006 programme of work amounts to US\$550 million (loans and grants). At the April and September Board sessions, 11 projects/programmes were approved for loans totalling US\$230.98 million together with country grants worth US\$3.9 million. This amount includes the additional loans for the four post-tsunami programmes in an aggregate amount of US\$35.1 million to cover the financing gaps in the programmes. It also includes US\$26.4 million for the Project for the Restoration of Earthquake-Affected Communities and Households to respond to the needs created by the Pakistan earthquake. Under the global/regional grants window, the April and September 2006 Board sessions approved 11 grants for a total of US\$12.4 million. Current projections for the December 2006 Board indicate that, subject to successful loan negotiations, IFAD will deliver the approved 2006 lending programme of SDR 341.54 million (US\$495 million) and the target POW of US\$550 million. Efforts are under way to expedite the processing and approval of country grants.
25. Resources provided under 2006 PDFF (US\$30.4 million) together with amounts carried forward from previous years are being used to finance project, programme, and grant design and implementation (see annex VI). The 2006 budget for cooperating institutions, including the United Nations Office for Project Services (UNOPS) and the World Bank, have had cost implications that will need to be absorbed within the PDFF. These developments are being carefully monitored and

¹⁰ See annex VII for trend in average loan size.

reallocation possibilities are being explored across activities/divisions in order to safeguard future pipeline development and implementation support for the ongoing portfolio.

V. 2007 Programme of work

26. In line with the strategy described in paragraph 2, the overall 2007 programme of work is expected to amount to SDR 408.8 (US\$605 million), representing an increase of 10 per cent over the 2006 level (in United States dollar terms). The increase in SDR terms (8 per cent) is somewhat lower than 10 per cent because of the dollar's depreciation against the SDR. Based on the indicative lending programme, up to 34 projects and programmes are expected to be submitted for approval in 2007, for a total of SDR 367.93 million (US\$544.5 million). The indicative 2007 lending programme is given in annex IX.

Table 1
Summary of programme of work

	Millions of United States dollars				Millions of SDR			
	2006	2007		Percentage increase in US\$ terms	2006	2007		Percentage increase
	Approved at US\$/SDR exchange rate of 1.4493	Proposed at US\$/SDR exchange rate of 1.4799	Percentage of total		Approved	Proposed	Percentage of total	
Loans	495.0	544.5	90	10	341.54	367.93	90	8
Number of loans	32	34	-	-	-	-	-	-
Grants ^a	55.0	60.5	10	10	37.95	40.88	10	8
Total	550.0	605.0	100	10	379.49	408.81	100	8

^a Inclusive of ex-grants transferred to PDFF. Prior to 2001, certain project development costs such as start-up costs were treated as grants and consequently formed part of the programme of work. With the establishment of the PDFF in 2001, these project development grants were transferred from the POW to the PDFF, together with other development related costs from the administrative budget such as formulation, appraisal and cooperating institution fees. The grants envelope of the POW continues to contain the portion of ex-grants transferred to the PDFF.

27. The grant programme will represent 10 per cent of the overall programme of work, i.e. US\$60.5 million. Fifty per cent of the grant programme will be allocated to the global/regional grants window and 50 per cent to the country-specific window (see table 2).

Table 2
Details of grant programme

	Millions of United States dollars				Millions of SDR			
	2006	2007		Percentage increase in US\$ terms	2006	2007		Percentage increase
	Approved at US\$/SDR exchange rate of 1.4493	Proposed at US\$/SDR exchange rate of 1.4799	Percentage of total		Approved	Proposed	Percentage of total	
Country grants	14.0	15.1	50	8	9.7	10.22	50	5
Transfer to PDFF	13.5	15.1	50	12	9.3	10.22	50	10
Total country-specific window	27.5	30.2	50	10	19.0	20.44	50	7
Global/regional window	27.5	30.3	50	10	19.0	20.44	50	8
Total grants	55.0	60.5	100	10	38.0	40.88	100	8

28. Drawing on the IFAD grant policy objectives of promoting innovative pro-poor research and development and/or building pro-poor capacities, the 2007 POW for grants under the regional global grants window will focus on initiatives that create

suitable options for rural development projects. The 2007 grants would promote pro-poor knowledge and information exchange networks – with a focus on in-built self-targeting mechanisms such as pro-poor crops and commodities (e.g. cassava, neglected and underutilized crops, medicinal plants, and emerging promising opportunities such as bio-fuels). The country grants heading includes both the country-specific grants and the transfer to the PDFF in support of country project development.

29. International and regional institutions for agricultural research and their partners in national research systems that focus on the needs of the rural poor will remain prominent grant recipients. Within these, the emphasis would also be on identifying and supporting community-based organizations and NGOs to pilot new or innovative approaches or pro-poor technologies. There will be an increasing trend towards supporting larger grants, with clear results statements, thus ensuring savings in both time and costs with respect to internal processing as well as the opportunity for the Executive Board to monitor the scope and direction of the grant programme.

VI. Administrative costs (administrative and project development costs)

30. The September budget preview document (EB 2006/88/R.3/Rev.1), discussed and generally supported at the eighty-eighth session of the Executive Board, proposed the broad envelope of the administrative budget and PDFF at a level reflecting the policy of reducing the administrative cost ratio to 16.8 per cent. In order that the ratio reflect the real underlying value of expenditures, the EUR/US\$ exchange rate used to state the proposed administrative budget and PDFF for 2007 was identical to the rate used in the calculation of the approved 2006 administrative budget in the context of which the benchmark ratio was agreed. The EUR/US\$ exchange rate is of great significance to the administrative budget and the PDFF because, although both are stated in dollar terms, the majority of expenditures are actually made in euros. The consequence is that a falling exchange rate of the dollar against the euro increases expenditures for any given set of services in dollar terms, while a rise in the exchange rate generates a “windfall”.
31. The gross envelope of the administrative budget and PDFF being proposed here is identical to that proposed in September, when calculated at the same EUR/US\$ exchange rate, and it respects the 16.8 per cent ratio at that exchange rate. The IFAD budget submitted for approval should, however, be submitted at the most current exchange rate; as a consequence, the figures presented here have been restated at the current EUR/US\$ exchange rate of 0.786 (see table 4). The variation between the administrative budget and PDFF figures presented here and those presented in September is entirely attributable to this exchange-rate-driven restatement involving a change in the price of the dollar expressed in euros.
32. The power of a benchmark ratio comes from the comparison of like to like, and the distorting effects of a ratio between an administrative cost that must be restated to take into account exchange rate variations and a programme of work target that is not adjusted to reflect exchange rate variations is evident: in a period of dollar depreciation (against the euro), increased efficiencies are hidden by the higher dollar costs of services that are paid for in euros; in a period of dollar appreciation, expanding euro costs could be hidden by virtue of a lower value of the dollar. This was not the intention of the Executive Board in adopting the benchmark ratio, and prior to presenting the 2008 budget proposal (in September 2007), Management will seek guidance from the Audit Committee on a satisfactory way of handling the effects of exchange rate variations within the framework of the benchmark ratio in order that both the numerator (administrative costs) and denominator (programme of work) of the ratio are equally adjusted.

33. Table 3 presents the administrative costs and benchmark ratio for 2006 (as submitted and as adjusted to reflect the effects of the International Civil Service Commission [ICSC] recommendation), together with the administrative costs for 2007 (translated at EUR/US\$ 0.819) and the respective ratio. The 2007 budget proposal was formulated with a view to increasing the focus of administrative costs on programme development and implementation, as can be seen by the 10.1 per cent increase in PDFF as opposed to the 4.3 per cent increase in the administrative budget. A close look at the table clarifies the real changes underlying changes in nominal values. First, the 2007 administrative budget and PDFF are stated at the same exchange rate as for the 2006 budget to allow comparison of real values. Second, for purposes of comparison with 2007, the 2006 budget is restated to reflect the effects of the ICSC-recommended General Service (GS) salary increase, which must also be part of the 2007 budget. In constant dollar terms, for 2007 the proposed administrative budget is 4.3 per cent higher and the PDFF is 10.1 per cent higher than for 2006, demonstrating the emphasis on PDFF growth. Taken together, these budgets for 2007 total a figure equal to 16.8 per cent of the programme of work (excluding transfers to PDFF).

Table 3
Benchmark administrative costs ratio, 2006 and 2007
 (Thousands of United States dollars, at EUR/US\$ exchange rate of 0.819)

	2006 budget	2006 budget reflecting ICSC recommendation	2007 budget	Net change	
				Amount	Percentage
Administrative budget	61 137	62 960	65 655	2 695	4.3
PDFF	30 444	30 580	33 663	3 083	10.1
Total administrative costs	91 581	93 540	99 318	5 778	6.2
Total programme of work	550 000		605 000		
Less transfers to PDFF	(13 750)		(15 125)		
Programme of work net of transfers to PDFF	536 250		589 875		
Ratio of administrative costs to programme of work	17.1%		16.8%		

34. The 2007 administrative budget and PDFF must be stated in nominal terms at the current exchange rate. For purposes of comparison, table 4 restates the 2006 administrative budget and PDFF, including the effects of the GS salary increase (which represents an adjustment conducted only once each five years), at the exchange rate used for 2007 for a figure of US\$64.84 million for the administrative budget and US\$30.73 million for the PDFF.

Table 4
2006 administrative costs budget, as approved and as restated

(Thousands of United States dollars)

	<i>As approved (at 0.819 EUR/US\$)</i>	<i>Restated at 0.786 EUR/US\$</i>	<i>Restated at 0.786 EUR/US\$ and reflecting ICSC increase</i>
Administrative budget	61 137	62 941	64 840
PDFF	30 444	30 510	30 728
Total administrative costs	91 581	93 451	95 568
Increase due to exchange rate movement		1 870 (2%)	
Increase due to ICSC salary increase			2 117 (2.3%)

A. Administrative budget

35. The administrative budget for 2007 is proposed at US\$67.49 million, an increase of US\$2.7 million – or 4.1 per cent¹¹ – over 2006 (restated and including the ICSC increase) as indicated in table 5.

Table 5

Administrative budgets for 2006 and 2007, as approved, restated and proposed

(Millions of United States dollars)

2006				2007		
<i>Approved (at 0.819 EUR/US\$)</i>	<i>Restated at 0.786 EUR/US\$</i>	<i>Amount of ICSC increase</i>	<i>Restated reflecting ICSC increase</i>	<i>Proposed budget (at 0.786 EUR/US\$)</i>	<i>Increase over 2006 in nominal terms</i>	<i>Increase over 2006 in real terms</i>
61.13	62.94	1.9	64.84	67.49	4.1%	0%

36. The nominal increase in the administrative budget is broken down into its various components in table 6. The 4.1 per cent increase of the 2007 proposed budget over the revised base for 2006 reflects the staff cost increase (5.5 per cent), special increases in the After-Service Medical Coverage Scheme (ASMCS) costs (8.7 per cent) and inflation applied to a reduced balance of non-staff costs (-0.9 per cent).

¹¹ This corresponds to the 4.3 per cent shown in table 3, the difference arising from the use of the rate of 0.816 EUR/US\$ in table 3 and 0.786 EUR/US\$ in table 5.

Table 6
Details of administrative budget increases, 2006 and 2007

(Thousands of United States dollars)

	<i>2006 restated at 0.786 EUR/US\$</i>	<i>2007 proposed at 0.786 EUR/US\$</i>	<i>Percentage increase</i>
Staff costs	49 408	52 107	5.5
ASMCS	920	1 000	8.7
Gross staff costs	50 328	53 107	
Non-staff	14 412	14 284	-0.9
General administrative costs	64 740	67 391	
Contingency	100	100	0.0
Total administrative budget	64 840	67 491	4.1

37. The staff costs increase in 2007 of 5.5 per cent comprises increases in the various components of the standard costs.¹² The percentage increase of each component is applied to the applicable part of the staff costs. A part of the increase is also due to the effects of a restricted number of staff promotions during 2006 and a provision for promotions in 2007. Although the increase includes the cost of five additional full-time equivalents (FTEs) in the administrative budget, three are budget-neutral (see section VII). An inflation rate of 2 per cent was applied to all non-staff costs, but the decrease made in non-staff costs to offset the increase in staff costs caused the overall decrease of -0.9 per cent.
38. ASMCS costs are largely uncontrollable and provision has been made for an increase of 8.7 per cent over 2006 as shown in table 6. In response to the evolution of actual estimates, the ASMCS cost allocation will be increased gradually within the parameters and constraints of the administrative budget each year, and any actual costs exceeding the budgeted amount will be taken directly to the statement of revenue and expenses. This is consistent with the approach presented to the Audit Committee in April 2006¹³ and is consistent with the treatment adopted by other IFIs.

B. PDFF

39. The PDFF is being used to finance the expenditures required for the design and implementation of projects and programmes funded by IFAD loans and grants. It is also being used to cover the costs associated with the preparation of country strategic opportunities programmes (COSOPs) and poverty reduction strategy papers. Table 7 shows that the nominal increase in the PDFF in 2007 would be US\$3.18 million, or 10.3 per cent.

¹² 10 per cent for increase in medical insurance costs
1.1 per cent for post adjustment multiplier increase
1.4 per cent for impact of step increase
2.5 per cent General Service salary increase
2.7 per cent for pensionable remuneration increase
1.5 per cent for education grant increase (professional staff)
1.9 per cent for rental subsidy increase (professional staff)
1.8 per cent for representation allowance increase (professional staff)
1.8 per cent for home leave increase (professional staff)
4 per cent for dependency allowance

¹³ See document AC 2006/94/R.4 High level Review of the 2005 Consolidated Financial Statements of IFAD.

Table 7
Programme development financing facility budget, 2006 and 2007

(Millions of United States dollars)

2006					2007		
EUR/US\$ at 0.819		EUR/US\$ at 0.786			EUR/US\$ at 0.786		
Approved	Restated	ICSC increase	With ICSC increase	Proposed budget	Total nominal increase		
					Amount	Percentage	
30.44	30.51	0.22	30.73	33.88	3.18	10.3	

40. While the increase of US\$3.2 million over the 2006 level of US\$30.73 million is significant, the increased programme of work (10 per cent more than in 2006) coupled with the corporate objectives set for 2007 – (1) better country programme design; (2) better project design (loans and grants); (3) better implementation support; and (4) improved risk management – will call, as shown below, for the prioritization of activities and strategic choices at the time of allocating resources between the two categories of the PDFF: PDFF “A” (new project/programme development) and PDFF “B” (ongoing project portfolio).

Table 8
PDFF budget by category, 2006 and 2007

(Thousands of United States dollars)

PDFF category	2006 restated ^a	Proposed 2007	Amount increased	Percentage increase
PDFF “A” – New project/programme development	15 039	15 318	279	1.8
PDFF “B” – Ongoing project portfolio	15 689	18 558	2 869	18.28
Total	30 728	33 876	3 148	10.24

^a Excluding carry-forward.

41. It is proposed to maintain PDFF “A” resources at a level similar to 2006 and allocate most of the 2007 PDFF increase to PDFF “B”. In terms of priorities, 2007 PDFF “A” resources will be directed to core operational activities, such as the design of projects/programmes (e.g. inception, formulation, environmental assessment, appraisal, loan negotiations and start-up) and project/programme/grant design work. The anticipated cost increases resulting from the adoption of a new format and approach for the preparation of COSOPs (results-based COSOPs) will be included in PDFF “A”.
42. Partnership-building and policy dialogue will be part of the preparation and implementation of IFAD’s country programmes and portfolio implementation. As in the past and in line with IFAD’s mandate, consultations with other partners will continue with a view to identifying suitable opportunities for collaboration through project cofinancing, both for IFAD-initiated projects and projects initiated by cooperating institutions.
43. PDFF “B” resources cover costs associated with implementation of the loan and grant portfolio. These include payments to cooperating institutions for portfolio administration and supervision, implementation of global/regional/country grants, direct supervision, mid-term reviews, supervision follow-up and implementation support, country portfolio reviews, mid-term reviews and project completion activities. Improving portfolio performance (i.e. of loans and grants) and raising the quality of IFAD’s field-level operations and country programmes have been identified as critical to strengthening results on the ground. The additional resources provided in PDFF “B” will be targeted mainly to these objectives.
44. As shown in annex XIV, cooperating institutions continue to be one of the major cost drivers of the PDFF. In the case of UNOPS, which currently administers 70

per cent of IFAD's portfolio, there has been a need to revisit the budgeting and contracting methodology in the context of IFAD's evolving supervision requirements and financial practices. This has translated into a move from a flat rate to an 'actuals' cost structure reflecting missions undertaken in response to IFAD requirements. Annual work programmes and associated costs are determined prior to payment of any advances. Further discussions will continue with UNOPS on its proposed increases in supervision charges. As IFAD moves to collaborate more with other major IFIs (e.g. African Development Bank, Asian Development Bank, the World Bank, etc.) in the area of supervision, costing approaches will continue to be carefully reviewed bearing in mind the potentially higher charges of these institutions.

45. For 2007, as shown in annex XIV, it is anticipated to allocate more resources to travel (24 per cent more than in 2006) to provide closer follow-up of the portfolio and the necessary implementation support to improve project performance and ensure that lessons learned from portfolio implementation are fed back into the design and development process of IFAD-funded programmes/projects/grants. Measures to improve the costing of travel and travel services are currently under consideration.
46. PDFF "A" and "B" also include a staff cost component (for details see table 9 and annex XVI), and the anticipated cost increase results mainly from the application of the new 2007 standard staff costs rates (including the adoption of the ICSC recommendation for the GS salary increase).
47. This real increase in the PDFF will support the increase in the number of projects and the 10 per cent increase in the value of the programme of work, but priority will be given to strengthening the results of the 230 IFAD projects already approved.

VII. Human resources

48. Table 9 below presents the number of full-time equivalents (FTEs) being requested in 2007 and the breakdown by source of funding. The 402.94 FTEs requested from the Administrative Budget reflect the inclusion of three additional FTEs being requested in the Office of the Secretary due to the continued strategy of employing staff rather than hiring contractors. Furthermore, during 2006 two regular part time posts were converted to full time resulting in an increase of one FTE and one additional FTE has been requested by the programme management department. Furthermore, an additional position has been requested under PDFF, however the elimination of 3.83 FTEs under one-time costs results in an overall increase of 2.19 FTEs.

Table 9

Summary of human resources proposed for 2007 by source of funding

(Expressed in full-time equivalents)

	<i>Total 2006^a</i>	<i>Regular</i>	<i>Continuous^b</i>	<i>Fixed- term</i>	<i>Temporary staff</i>	<i>Total 2007^c</i>	<i>Change in FTEs</i>
Administrative budget (annex XV)	397.92	302.65	3.00	81.35	15.94	402.94	5.02
PDFF (annex XVI) ^d	42.27	-	2.00	39.42	1.85	43.27	1.00
One-time costs	3.83	-	-	-	-	-	(3.83)
Total	444.02	302.65	5.00	120.77	17.79	446.21	2.19

^a Total for 2006 includes regular posts, fixed-term staff and temporary staff.

^b Staff with continuous contract without a post.

^c FTE = 12 months. Part time represents 0.67 or 0.70 or 0.80 of one FTE. Note that President and Vice-President are not included.

^d Totals include Global Environment Facility.

49. The same number of FTEs are presented by department in table 10 below and the details of staff levels are contained in annexes XV and XVI. During 2006, human resource needs were met through a combination of lateral transfers and streamlining. The staff levels for 2007 are being kept relatively constant pending the results of the workload survey and the IFI benchmarking exercise.

Table 10

Staff levels by department

(Expressed in full-time equivalents)

<i>Department</i>	<i>2006</i>	<i>2007</i>	<i>Increase/decrease 2006-2007</i>
External Affairs Department (EAD)	107.03	111.87	4.84 ^a
Finance and Administration Department (FAD)	150.23	146.33	(3.90)
Office of the President and Vice-President (OPV)	31.32	31.30	(0.02)
Programme Management Department (PMD) ^b	155.44	156.71	1.27
Total	444.02	446.21	2.19

^a 3 out of 4.84 FTEs are cost neutral within the administrative budget.

^b It should be noted that PMD employs a significant number of consultants, the cost of which is included in the PDF (see annex XIV).

50. A workload analysis for all IFAD departments is being conducted to determine the appropriate number and balance of staff and consultants to meet workload demands. This information will provide a baseline to inform future staffing decisions; identify trigger actions for reallocating resources; identify improvement opportunities; make recommendations on alignment of the organizational structure; and prepare a plan to move to the next steps. As mentioned earlier, IFAD is also participating in the IFI benchmarking exercise and work relative to human resources is under way.

VIII. Financial resources available

A. Regular resources

51. The programme of work is approved subject to availability of committable resources. During the current Sixth Replenishment, the Fund has been authorized to utilize the advance commitment authority (ACA) to a ceiling of three times annual reflows. As a result of the Seventh Replenishment negotiations, it has been agreed that IFAD will utilize the ACA with a maximum use of five years of future reflows. Annex XIX shows the projected resources for commitment from 2005 to 2007 and illustrates that with the proposed programme of work of US\$605 million, the net use of the ACA remains within the required ceiling.

B. Supplementary funds

52. Supplementary funds are voluntary resources received from one or more donors for a purpose specified in an agreement between IFAD and the donor(s). Such resources are not part of Member States' contributions to regular resources. In all instances, supplementary funds are accepted for purposes related to the Strategic Framework objectives and institutional priorities of the Fund.
53. In 2005, supplementary funds of US\$11.8 million were received for specific programmes and US\$2.2 million for cofinancing apart from the reserves involved in the normal project cofinancing mechanism (see annex XX). On the basis of these supplementary resource mobilization projections, management fees should generate an estimated US\$1.5 million for the supplementary funds administrative budget. Regular staff posts proposed against this budget would be confirmed only on the basis of resources available.

Table 11

Summary of human resources proposed for 2007 supplementary funds and associate professional officer (APO) administrative budget

(Expressed in full-time equivalents)

	<i>Total 2006</i>	<i>Regular</i>	<i>Fixed-term</i>	<i>Temporary staff</i>	<i>Total 2007^a</i>	<i>Percentage change</i>
Supplementary funds and APO administrative budgets (annex XVII)	24.62	12.00	11.86	1.00	24.86	1

^a FTE = 12 months. Part time represents 0.67 or 0.70 or 0.80 of one FTE.**C. Complementary contributions**

54. Member States may contribute to regular resources through complementary contributions, which are usually linked to a specific sector or purpose. During the Sixth Replenishment, IFAD received complementary contributions from Belgium (with respect to the Belgian Survival Fund), Canada (with respect to results and impact), Italy and the Netherlands (with respect to Heavily Indebted Poor Countries [HIPC] debt relief) and the United Kingdom of Great Britain and Northern Ireland (with respect to IFAD Initiative for Mainstreaming Innovation [IMI]).
55. The proposed use of US\$10 million to be received from the United Kingdom as a complementary contribution for the IMI was approved by the Executive Board at its December 2004 session. At the same session, the operational framework for the main phase of IFAD's IMI¹⁴ was approved and an update was provided to the September 2006 session of the Board.¹⁵ Details of the IMI funding are presented in annex XX.

¹⁴ Document EB 2004/83/R.2 IFAD Initiative for Mainstreaming Innovation.¹⁵ Document EB 2006/88/R.2/INF.4 for details.

Part Two – 2007 Work programme and budget for IFAD’s Office of Evaluation

A. Background

56. As per the provisions of the IFAD Evaluation Policy¹⁶ OE is required to formulate its annual work programme and budget independently of the management and IFAD’s administrative budget, and present it together, but as a separate submission, with IFAD’s programme of work and budget to the Executive Board. The preview of OE’s 2007 work programme and budget was thus discussed by the Evaluation Committee and Executive Board in September 2006. Subsequently, during its forty-fifth session in October 2006, the Evaluation Committee discussed the draft work programme and budget of the Office of Evaluation (OE) for 2007. Based on the comments and guidance of the Committee and the Executive Board provided during the aforementioned sessions, OE has prepared its final proposed work programme and budget for 2007, for consideration by the Board during its eighty-ninth session in December 2006. However, as decided by the Board in April 2004, this final proposal was also considered by the Audit Committee on 13 November 2006 together with IFAD’s programme of work and budget for 2007.

B. Summary of the 2007 work programme and budget

57. The proposed OE work programme and budget for 2007 is larger than in previous years. In this regard, it is important to note that over the past few years, OE has introduced a number of internal changes and processes that have resulted in efficiency gains, allowing OE to gradually undertake more higher-plane evaluations, which include country programme, thematic and corporate level evaluations and are in high demand and more costly to conduct. However, over the years and more so in 2007, this shift towards higher-plane evaluations has intensified, thus leading to an increase in the overall workload and costs that can no longer be managed by the financial and human resources presently available to the Office. In addition, in 2007, OE proposes to undertake a major evaluation with the African Development Bank (AfDB) on agriculture and rural development approaches and operations in Africa, which will provide an opportunity to take stock of both organizations’ results and develop lessons and recommendations that would inform future activities.
58. The Executive Board during its eighty-eighth session noted that the increase in the proposed 2007 budget was entirely the result of the growth and complexity of the planned work programme. It also recognized that, in general, all evaluation activities proposed for 2007 were important and justified. However, the Board requested OE to find ways and means for deferring the commencement of some new evaluations planned in 2007 in order to reduce the level of resources required next year.
59. For this purpose, OE undertook a thorough review of its 2007 work programme and budget proposal as contained in the preview document.¹⁷ The results of this review were discussed with the Evaluation Committee during its forty-fifth session in October. The Committee noted that OE managed to reduce the overall 2007 budget proposal by around US\$500,000. That is, the final submission includes a reduction of the total budget from around US\$6.2 (as included the preview document presented to the September 2006 Evaluation Committee and Executive Board) to US\$5.7 million, which represents an 11 per cent increase as compared to the 2006 OE budget.

¹⁶ Document EB 2003/78/R.17/Rev.1, see Part Two, section I.

¹⁷ Refer to document EC 2006/44/W.P.2.

C. Achievements in 2006

60. OE had four main priorities for 2006: (a) undertake selected corporate-level, country programme, thematic and project evaluations; (b) specific evaluation work required by the Evaluation Policy for presentation to the Executive Board and the Evaluation Committee; (c) evaluation outreach and partnerships; and (d) methodological development. Overall, OE is expected to implement the activities planned under the four established priorities. The specific achievements against the priority areas are listed in annex XXV.
61. With regard to corporate-level evaluations, the report on the evaluation of IFAD's Rural Finance Policy has been finalized and discussed with the Evaluation Committee during its forty-sixth session in December 2006. The evaluation concluded that the introduction of the rural finance policy resulted in a marked but still modest improvement in the performance of IFAD-assisted rural finance operations. However, many projects financed by IFAD are not aligned with the policy, partly due to the inadequate quality assurance system. The evaluation notes that the policy itself is by and large well designed as compared of similar policies of other institutions, even though further improvements can be introduced in order to increase its value as a strategic guide to operations. Secondly, an inception report on the evaluation of IFAD's Field Presence Pilot Programme was prepared. In this regard, desk work has been completed and some country visits undertaken.
62. OE completed the evaluation of the Regional Strategy in Asia and the Pacific region (EVEREST), which was discussed both by the Evaluation Committee and Executive Board in their respective sessions in September 2006. While endorsing the recommendations contained in the EVEREST's agreement at completion point, the Board noted that the usefulness of developing a new regional strategy required further consideration. In terms of key results, the EVEREST found that portfolio performance and impact were good in the region, but IFAD's performance in policy dialogue, partnership-building and donor coordination had generally been weak during the evaluation period (1996-2005). Lastly, OE has initiated the evaluation of IFAD's strategy in the Near East and North Africa region, which will be completed in 2007.
63. As per plan, OE completed the report on the Mali country programme evaluation (CPE) and discussed the topic in the Evaluation Committee during the latter's forty-sixth session. The Mali CPE found that IFAD's recent strategy had evolved by adjusting project design to take into account the ongoing decentralization process. Among other issues, it also found that IFAD will have to reinforce its capacity to support innovations, particularly through better synergies between grants and loans, and a better articulated process of stocktaking, communication and dissemination of innovative experiences. However, the CPE also noted problems of limited integration of components and dispersion of activities over large areas in selected programmes. Following an initial exchange during the forty-fifth session of the Evaluation Committee and subject to the agreement of the Government of Mali, OE plans to organize the national round-table workshop at the end of this CPE in Mali in the first part of 2007 in Bamako in conjunction with the annual field visit of the Committee.¹⁸
64. OE conducted the necessary preparatory work and launched the main mission for the Morocco CPE, which will be finalized in 2007. In addition, a preparatory mission to Brazil was organized to develop the approach paper for this CPE. As agreed at the Evaluation Committee's forty-third session, the Ethiopia and Nigeria CPEs will commence in early 2007. Finally, OE has completed eight and is working on another two project evaluations in the five IFAD regions.

¹⁸ The eventual field visit to Mali in 2007 will be the first time the Committee travels to Africa in more than five years, following its last three field visits to the Syrian Arab Republic (2001), Indonesia (2004) and Mexico (2006).

65. In April 2006, OE and the Programme Management Department signed an agreement on the harmonization of self-evaluation and independent evaluation systems at IFAD. The agreement was in response to a number of requests from the Evaluation Committee and Executive Board in the past for the Programme Management Department and OE to use the same evaluation criteria and ratings systems to ensure that self-evaluation and independent evaluation generate comparable information.
66. Pursuant to the terms of reference and rules of procedure of the Evaluation Committee,¹⁹ OE reviewed and commented on the portfolio performance report (PPR) prepared by Management. The document was discussed by both the Evaluation Committee and the Executive Board in April 2006. The Board noted the improvements in the overall quality of the PPR and on its responsiveness to the annual report on the results and impact of IFAD operations (ARRI). While acknowledging the significant progress made in 2005, in particular the record levels of loan approvals and disbursements, the Board called for management to take steps towards improving the delays in project and programme effectiveness. Concerning the PPR, in compliance with the aforementioned harmonization agreement,²⁰ only in 2006, a second PPR was presented by the Management to the Executive Board in December, which was also discussed by the Evaluation Committee during its forty-sixth session²¹ together with OE's comments. Likewise, OE reviewed and commented on the President's report on the implementation status of evaluation recommendations and management actions (PRISMA), which was discussed by both the Evaluation Committee and Executive Board in September 2006. The Committee and Board noted that the PRISMA report, together with OE's comments, has improved over the years and is emerging as a useful instrument for tracking the implementation of evaluation recommendations.
67. Work on the production of OE's comprehensive evaluation manual will be completed in 2007. Among other things, the manual contains a revamped CPE methodology, which will enable OE to assess the performance and attribute ratings to individual projects in a given country. The methodology also allows for lessons learned to be generated on systemic and cross-cutting issues at the project level.
68. An enhanced internal quality assurance system has been introduced in OE consisting of three key features. Firstly, the OE Deputy Director is mandated to review all evaluation approach papers and draft final reports to ensure their compliance with OE's methods and standards. Secondly, internal peer reviews are conducted for all higher plane evaluations and selected project evaluations, which entails the participation of the OE Director and at least one evaluation officer. Last but not least, OE is increasingly seeking the advices of external senior advisors for higher plane evaluations, who provide their inputs at key stages of the evaluation. Their participation serves to reassure the Board and others of the overall quality of the concerned evaluation.
69. This year's ARRI, which was discussed during the Committee's forty-fifth session, for the first time includes a target mean score for benchmarking purposes to illustrate how such a target rate can be used to track and improve performance. As per the practice in the past two years, the ARRI will be discussed by the Board during its eighty-ninth in December 2006.²² For the first time, the PPR will also be discussed in the December 2006 Board. The PPR contains an account of the actions taken in addressing the recommendations emerging from the ARRI, thus providing

¹⁹ Approved by the Executive Board in December 2004.

²⁰ The harmonization agreement requires both the PPR and ARRI to be presented to the Board on a standing basis during its December session.

²¹ A summary of the key issues discussed and recommendations of the Evaluation Committee are contained in the Committee Chairperson's report to the eighty-ninth session of the Board.

²² It is to be noted that, in the past, the PPR was discussed by the Board during its April sessions, whereas the ARRI was discussed by the Board during its September sessions.

Board members a more real-time illustration of the follow-up by the IFAD Management to the ARRI. Due to the reasons outlined in paragraphs 65-66, the ARRI will be discussed in the future during the Board's December sessions.

70. OE organized, as planned, four sessions of the Evaluation Committee in April, September, October and December. In addition, it organized the Evaluation Committee's annual field visit in March 2006 (to Mexico) in connection with the Mexico CPE. A total of 12 Executive Board Directors participated in this visit. The Chairperson of the Evaluation Committee presented a report on the field visit to the Board in April 2006.²³
71. During its forty-fourth session, the Committee elected the representative for Mexico as its Chairperson from September 2006 to August 2007. The Committee also decided that Indonesia would follow Mexico as its chair from September 2007 till the end of the mandate of the present Committee. The Executive Board was accordingly informed during its eighty-eighth session of the results of these elections.
72. Finally, in line with its terms of reference and rules of procedure, the Committee also discussed the new IFAD supervision and implementation support policy during its forty-sixth session last week together with the comments of OE on the policy. This is an additional activity that was not originally included in the work programme and budget of OE for 2006. The main discussions points and recommendations of the Committee on this topic are contained in the report of the Evaluation Committee Chairperson for consideration by the eighty-ninth session of the Board.

D. Taking stock of 2006

73. As in the past years, before defining its priority areas, work programme and resource requirements for 2007, OE reviewed experience in implementing its 2006 work programme and budget.
74. One of the most important points emerging from the stock-taking exercise was the fundamental importance of the need to thoroughly plan each evaluation exercise. It was recognized that systematic attention to planning is required for OE to continue delivering high quality evaluations particularly given that OE's workload has both increased and shifted to more complex evaluations involving several stages and interaction with numerous stakeholders who are divided geographically. To address these changes in the workload, OE is finalizing a new evaluation manual, to provide clear guidance for project and country level evaluations. One significant change is that OE evaluation officers are required to spend more time planning at the beginning of each evaluation. This allows for the development of a detailed road map including a timetable for each major evaluation phase/deliverable (e.g. preparation of approach paper, inception report, desk work, main mission, field report, final report writing, agreement at completion point process, etc). This also provides a framework for better communication with evaluation partners allowing for smoother implementation and sufficient time for partners to comment on key deliverables.
75. Adopting a feature introduced by the Independent External Evaluation of IFAD, OE is now producing "audit trails" for key evaluations. This requires that OE produce a written response to the various comments made by key stakeholders on draft evaluation deliverables that are disclosed for review. Evaluation partners have appreciated the introduction of audit trails, which enhance transparency in addressing the comments provided by partners and improve overall communication during the evaluation.
76. The issue of workload, overtime and stress continue to be areas of concern to OE staff, an issue which has also been raised repeatedly by the Evaluation Committee

²³ As in the past, the Chairperson also provided to the subsequent sessions of the Executive Board a written report containing the key issues and recommendations from each of the four Committee sessions held in 2006.

and the Executive Board in the past.²⁴ In this regard, OE commissioned an independent consultant to conduct a workload analysis in cooperation with IFAD's Office of Human Resources. This analysis concluded that there exists already in 2006 a gap of one professional staff in the OE human resource base. According to the work load analysis, this gap is expected to raise to two in 2007.

77. OE has further recognized the demonstrated value of multi-stakeholder learning workshops it organizes as a standing practice towards the end of each evaluation. In fact, building on past experience, the Office has developed guidelines for the organization and implementation of such events, which serve as an essential platform for discussing evaluation results and lessons learned. However, the costs related to the organization of such events for higher plane evaluations can be quite high, given the wide range of participants involved from the government, donor organizations, project authorities, research institutions and academics, civil society, and others.
78. Lastly, an area where OE is devoting increasing attention is the management of consultants. This is an area that affects substantially the quality of OE's work. Progress has been made in such areas as establishing guidelines for ensuring the independence of OE's consultants, a closer link between evaluation frameworks and the requirement of consultants; identifying and diversifying consultants; and introducing a competitive screening and ratings system of consultants for major evaluations. However, in the future, OE is to develop a dedicated database for evaluation consultants including performance evaluations.

E. OE priorities for 2007

79. The Office has four priorities for 2007. These take into consideration the need to satisfy the requirements of the Evaluation Policy and the terms of reference and rules of procedure of the Evaluation Committee. These four main priority areas are:
- (a) undertake selected corporate-level, country programme, and project evaluations;
 - (b) specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee;
 - (c) evaluation outreach and partnerships; and
 - (d) evaluation methodology development.
80. Before outlining below the key elements of the planned 2007 work programme, it is worth noting that following the Board's request made in its eighty-eighth session, OE made concerted efforts to find ways and means to reduce the level of increase in the proposed 2007 work programme and budget, as contained in the preview document. In response to this request, OE thoroughly reviewed each new evaluation activities planned for 2007 to assess whether and which ones could be deferred to a later date, without compromising on the usefulness of the evaluation under consideration.
81. The above review resulted in an overall reduction of around US\$500,000 in the proposed 2007 budget, as compared to the figure presented in the preview on the OE work programme and resource issues to the Committee and Board in September 2006. This represents a proposed budget increase in real terms of around 11 per cent over the 2006 budget, as compared to 21 per cent proposed in the September preview document.
82. This reduction in the proposed budget has been achieved by deferring the commencement date to the last quarter in 2007 of two evaluations: (a) IFAD's approaches and operations in Meso-America; and (b) IFAD's capacity to promote

²⁴ See, for example, paragraph 90 of document GC 29/L.6 (Programme of Work and Administrative Budget of IFAD and of its Office of Evaluation for 2006).

replicable innovations to rural poverty reduction.²⁵ Two further measures have contributed to reducing the budget. These are: (a) a reduction in the estimated financial requirements for the joint evaluation on Africa; and (b) the dropping of the evaluation of the IFAD Action Plan from its work programme.

83. In fact, with regard to the Action Plan evaluation, during its eighty-eighth session, the Board requested the Evaluation Committee to discuss at its forty-fifth session the issues raised by some Board members on the approach to the evaluation and provide OE due guidance to facilitate its task in this respect. Following further discussion by the Committee during its forty-fifth session, the Committee agreed with OE's proposal to drop altogether the undertaking of the Action plan evaluation. The Committee's recommendation in this regard is contained in the report of the Evaluation Committee Chairperson, document EB 2006/89/R.8, under consideration by the Board.
84. Priority area (a) represents the core of OE's work programme, in terms of both the number of activities and the human and financial resources devoted to such tasks. Under this priority, OE will complete a number of evaluations that it initiated in 2006, such as the corporate level evaluations of IFAD's Rural Financial Policy and Field Presence Pilot Programme. The results of the latter evaluation will be discussed by the Executive Board in September 2007. OE will also complete the evaluation of IFAD's Regional Strategy for the Near East and North Africa (see annex XXVII for more details).
85. OE will commence three new corporate-level evaluations in 2007. These are: (a) the joint evaluation with the AfDB on the overall approaches and operations of the two organizations' in agriculture and rural development in Africa; (b) the evaluation of IFAD's capacity to promote replicable innovative approaches to rural poverty reduction; and (c) the evaluation of IFAD's approaches and operations in Meso-America. All three evaluations, in particular the proposed joint evaluation in Africa, are complex and have a comprehensive scope, requiring a commensurate level of both financial and human resources.
86. The main objective of the joint evaluation will be to assess the performance and impact of AfDB and IFAD in the agriculture and rural development sector in Africa, which has absorbed a significant proportion of investments of both institutions and other partners. The evaluation will also assess the existing partnership arrangements between AfDB and IFAD and other partners, and draw lessons for strengthening the partnership in the future.
87. The joint evaluation with the AfDB will be in line with the Paris Declaration on Aid Effectiveness, the Organization for Economic Co-operation and Development/ Development Assistance Committee guidelines as well as the efforts of the UN System Chief Executives Board for Coordination, which all encourage enhanced collaboration within the new development architecture including the undertaking of joint evaluations as a vehicle to assess the cumulative impact of development partners rather than their individual contribution. As such, the joint evaluation will include, for example, using the same evaluation criteria and methods by both institutions, a single team of consultants and producing a joint report at the end. In addition, an effective and credible governance and management structure will be put in place to implement the evaluation and closely monitor its progress.
88. Concerning the joint evaluation with the AfDB, OE has prepared a joint approach paper for the evaluation together with the Operations Evaluation Department (OPEV) of the AfDB. The joint approach paper demonstrates that, in spite of the challenges posed by this evaluation, it is feasible for OE and OPEV to embark on this joint evaluation. Moreover, the approach paper provides a number of measures

²⁵ This evaluation would also cover the assessment of the Initiative for Mainstreaming Innovation, which the Board has decided for OE to evaluate (see document EB 2004/83/R.2 and GC 29/L.6).

for minimizing the risks in conducting the joint evaluation. The draft joint approach paper was discussed with OPEV in October. As per their request, the joint approach paper was distributed to members of the Evaluation Committee for their information.

89. OE will commence, at the end of 2007, the corporate-level evaluation of IFAD's capacity to promote replicable innovative approaches to rural poverty reduction. It is useful to note that close cooperation will be sought in this evaluation with the Global Environment Facility and the International Development Research Centre, which are planning to undertake, more or less at the same time, an evaluation on their own institutions' catalytic role.
90. The Latin America and the Caribbean Division of IFAD requested an evaluation of the IFAD's approaches and operations in the Meso-America subregion. The main objective of this evaluation will be to assess the overall strategic approaches and operations, including the performance and results achieved by IFAD in the subregion. Moreover, a series of lessons learned and recommendations will be generated that will inform the Fund's future directions and activities in Meso-America. In this regard, OE will undertake preparatory work in the last quarter of 2007 before fully launching the evaluation in 2008.
91. Furthermore, OE will finalize the country programme evaluations of Brazil and Morocco, and work on the country programme evaluations of Ethiopia and Nigeria, all of which the Board has already decided for OE to undertake as part of its 2006 work programme. Two new country programme evaluations are planned in 2007 in Pakistan and the Sudan. Finally, OE will work on six project evaluations in Albania, Belize, Burkina Faso, Pakistan, the Philippines and Romania next year. The exact number and types of evaluations to be conducted by OE in 2007 can be seen in annex XXVII.
92. Under priority area (b), OE will prepare the ARRI report and present it to the Evaluation Committee and Executive Board in December 2007. Future ARRI reports will draw upon the ratings generated through both the OE project evaluations and the CPEs, as the latter in future will include analysis and ratings of individual projects in the corresponding country as well.
93. Following the harmonization agreement between the Programme Management Department and OE, starting from December 2006 onwards, management will present the PPR to the Board at its December session as well. This report will include IFAD management's written response to the issues and recommendations raised by the ARRI report, thus providing the Board with an opportunity to see how and to what extent the concerns and recommendations raised in the ARRI report are dealt with by IFAD management.
94. In addition, OE will prepare next year its 2008 work programme and budget, and present it to the Evaluation and Audit Committees, the Executive Board and Governing Council for consideration, as per established practices and within the agreed time frames.
95. Pursuant to the terms of reference of the Evaluation Committee, OE will organize four sessions of the Committee in 2007 and any special sessions considered necessary by the Chairperson.²⁶ In addition to discussing selected OE evaluations, as in the past, the Committee will discuss the PPR, the PRISMA report and any policy proposal in 2007 arising from evaluation lessons and recommendations, including OE comments, before the same are discussed in the Board. OE will also

²⁶ Given the heavy agenda of the Committee in the recent past, most of the sessions next year are expected to last a full rather than just half a day.

organize a country visit for the Evaluation Committee in connection with a major evaluation event (see paragraph 63).²⁷

96. With regard to priority area (c), OE will continue its efforts to ensure that communication and dissemination aspects are incorporated in each evaluation at the outset of the process. Particular attention will be devoted to ensuring that evaluation results and lessons learned are shared with partners in developing countries. Workshops, at the end of evaluations, will continue to be an instrument for drawing attention to issues and sharing knowledge and lessons learned emerging from evaluations. In addition, the present practice of disseminating printed copies of evaluation reports as well as profiles and insights to Executive Board Directors and others, as well as the continuous updating of the OE subsection on the corporate website and in particular the Evaluation Knowledge System²⁸ will be ensured.
97. In terms of partnerships, OE will continue to actively participate in the discussions of the United Nations Evaluation Group and the International Development Evaluation Association. It will also take part in selected international and regional conferences and workshops on evaluations and related themes. Moreover, OE will keep abreast of the developments in relation to the ongoing United Nations reform process, and within this context, contribute in particular to the thinking on the development of a wider independent evaluation function for the United Nations system.
98. In priority area (d), OE will continue to exercise thorough oversight to ensure that its evaluation methodologies are applied consistently across all evaluations. Quality assurance mechanisms for reviewing evaluation deliverables will also be an important feature of OE's work in 2007. Peer reviews for key evaluations will be continued as an instrument for quality assurance and learning among staff. OE will contribute to the further harmonization of the self-evaluation and independent evaluation systems in line with the agreement signed this year by the Programme Management Department and OE.

F. Resource requirements

99. There is an important overall increase in the size and complexity of the 2007 proposed work programme, which therefore will have a consequence on the resources required. More specifically, the 2007 work programme will experience a major structural change with a shift towards higher-plane evaluations,²⁹ a trend that commenced more or less five years ago. There are four main causes why the 2007 work programme will include an unprecedented number of higher-plane evaluations: (i) a substantial increase in the number of country programme evaluations, given the greater emphasis on IFAD country programmes within the framework of the new operating model; (ii) a request by the Board to undertake two corporate-level evaluations;³⁰ (iii) the proposed undertaking of the joint evaluation with AfDB on Africa; and (iv) the commencement of the evaluation of IFAD's approaches and operations in Meso-America.
100. As can be seen from annex XXVIII, the OE work programme, on average, in the past included the undertaking of around 9 to 10 (or 5 to 6 in full-time equivalent terms³¹) higher-plane evaluations per year. In contrast, OE plans to work on 12

²⁷ A final decision on the timing and venue of the Evaluation Committee's annual field visit for 2007 will be taken by the Committee during its forty-sixth session on 8 December 2006.

²⁸ This may be accessed through the IFAD website.

²⁹ The trend towards higher-plane evaluations is also very much consistent with the trend at other United Nations organizations and international financial institutions. It is generally acknowledged that higher-plane evaluations are more cost-effective since they offer opportunities, inter alia, to generate learning on wider systemic and policy issues that can have a much broader impact in improving organizational performance and development results.

³⁰ Including on the Field Presence Pilot Programme, and IFAD's capacity to promote replicable innovations for rural poverty reduction.

³¹ Given that many evaluations start in a particular year and are completed in the following year, this figure represents the percentage of time that OE will devote to the corresponding evaluations in any given year.

higher-plane evaluations in 2007 (or 7.7 in full-time equivalent terms). Part of this unprecedented number of higher-plane evaluations were already decided by the Board in the past, including when approving the 2006 OE work programme. However, a number of higher-plane evaluations are new. As mentioned before, as a one-time exceptional activity under the 2007 work programme, OE proposes to undertake the joint evaluation with AfDB on agriculture and rural development approaches and operations in Africa.

101. The proposed budget will have to take into account the significant increase in the actual number of country programme and corporate level evaluations, which, being more complex to design and implement, will have an important bearing on OE's human and financial resources. On this note, it is worth recalling that higher plan evaluations are quite obviously more resource intensive as compared to project evaluations.
102. In the past, OE was mostly able to absorb the consequences of this structural change towards higher plane evaluations as well as the new tasks required by the Evaluation Policy and the new terms of reference of the Evaluation Committee³² through internal efficiency gains³³ and partly also through an extraordinary effort, including overtime by OE staff. This allowed OE to operate with a more or less consistent level of human resources and budget over the past three to four years. However, in 2007, this trend towards higher-plane evaluations will accelerate, causing a corresponding increase in OE's work programme that cannot be managed by the level of financial and human resources that were available to the division in the past.
103. Based on the proposed OE work programme for 2007 and the current level of human resources in OE, the findings of the workload analysis (see paragraph 76) indicate the need for an additional 2 senior professional staff in OE, who can bring the necessary leadership and experience to allow OE to undertake the increased number of higher-plane evaluations in 2007. One additional post will be required for a regular staff on a permanent basis to fill the gap that the workload analysis showed existed already in 2006: a gap the analysis anticipates will continue in the coming years. The other senior evaluation officer post required has been included in the OE administrative budget for 2007 under the temporary costs category, since this post may not be needed on a permanent basis, given that it will be mainly devoted to implementing the extraordinary evaluation activities included in 2007, which OE expects to complete by 2008.
104. The reduction by around US\$500,000 in the final budget proposal as compared to the figure contained in the preview document was achieved by: (a) a reduction in the budget of the joint evaluation on Africa from US\$800,000 to around US\$650,000³⁴ as IFAD's share towards the evaluation;³⁵ (b) dropping the Action Plan evaluation; and (c) deferring the commencement date of two new planned evaluations, namely on IFAD's approaches and operations in Meso-America and IFAD's capacity to promote replicable innovations for rural poverty reduction.
105. Based on the calculations made after the September sessions of the Evaluation Committee and Executive Board, OE will require an overall increase of close to US\$560,000 (or 11 per cent) in real terms in its 2007 budget. The increase is driven by the following four factors: (a) to accommodate the costs for undertaking

³² Such as, the discussion of the ARRI, as well as the PPR and PRISMA with OE comments in the Committee.

³³ Examples of efficiency gains include: (i) an enhanced country programme evaluation methodology that enables OE to assess the performance of and rate individual projects in a given country, thus allowing OE to reduce by around 50 per cent the number of project evaluations in its 2007 work programme without affecting the production of the ARRI report; and (ii) communication processes, including the production of profiles and insights, being mostly mainstreamed into core evaluation activities, thus enabling OE to relinquish the services of a communications adviser working in OE since 2001.

³⁴ For this purpose, it is proposed to mobilize supplementary funds for financing part of IFAD's share in this evaluation.

³⁵ The AfDB is expected to contribute the same amount of funds as IFAD towards the overall estimated costs of the joint evaluation.

a greater number of higher plane evaluations (12 in total) including the CPEs and the joint evaluation with the AfDB; (b) the request for two additional evaluation officer posts (one regular and one temporary); (c) the increase in the salaries of General Service staff recommended by the International Civil Service Commission;³⁶ and (d) as is the case for the rest of IFAD, an increase in standard staff costs and an increase of 2 per cent³⁷ in non-staff cost budget categories.

106. To sum up, OE will require a budget of US\$5.7 million to implement its work programme in 2007.

³⁶ The same provision is being applied to all IFAD General Service staff salaries, further to the decision already taken by the Board in its September 2006 session.

³⁷ This is in line with the price increase used by the Office of Strategic Planning and Budget for the rest of IFAD.

Part Three – Recommendation

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

- approve the programme of work for 2007 at a level of SDR 408.81 million (US\$605 million), which comprises a gross grant programme of US\$60.5 million and a lending programme of SDR 367.93 million (US\$544.5 million). The proposed grant programme is made up of US\$15.1 million transferred to the PDFF, a country-specific window grant programme of US\$15.1 million and a global/regional window grant programme of US\$30.3 million. It is proposed that this programme of work level be approved only for planning purposes and that it be adjusted during 2007 in accordance with the level of resources available;
- approve the total PDFF in the amount of US\$33.80 million for 2007;
- authorize the President to submit to the thirtieth session of the Governing Council, firstly the administrative budget of IFAD for 2007 in the amount of US\$67.49 million and, secondly, the administrative budget of IFAD's Office of Evaluation for 2007 in the amount of US\$5.687 million.

I. Corporate management results and key performance indicators

Operational Dimension

1. Better country programme design

- Percentage of borrowers with a results-based COSOP
- Ratio between IFAD financing and cofinancing in projects and programmes
- Rating as per partner surveys

2. Better project design (loans and grants)

- Percentage of project designs rated good or better
- Percentage of new projects that include innovation objectives
- Number of knowledge assets on priority topics developed and used
- Measure of uptake of evaluation recommendations

3. Better implementation support

- Percentage of projects with overall Project Status Report (PSR) rating of 3 or 4
- Proactivity index
- Percentage of projects with PSR rating of four closed/suspended prior to original project closing date
- Percentage of project supervisions and implementation follow-up rated good or better
- Average time from project approval to effectiveness
- Size of project portfolio under

Institutional Support

4. Improved resource mobilisation & management

- Total IFAD VII instruments of contribution and payments deposited, as percentage of pledges
- Additional resources mobilized, i.e. supplementary funds, cofinancing, HIPC and other
- Rate of return on investments (within agreed parameters and prudent)

5. Improved human resource management

- Number of PR and GS positions unfilled
- Percentage of staff successfully meeting all their competency requirements
- Quality of training

6. Improved risk management

- Percentage of internal and external audit recommendations for IFAD pending implementation

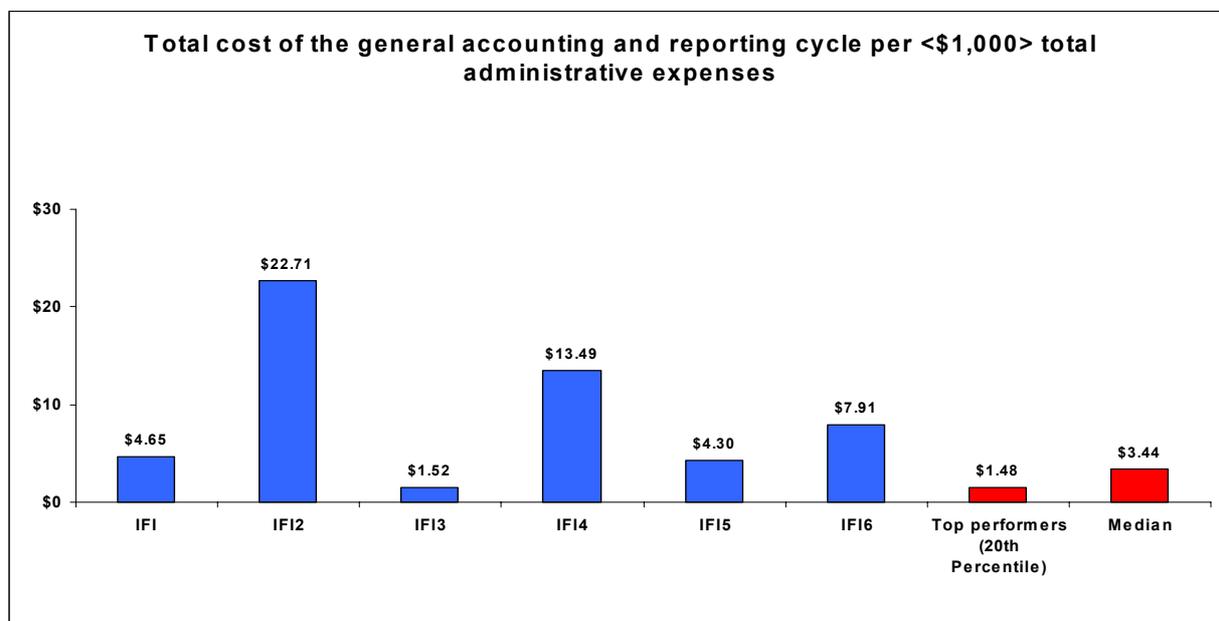
7. Increased administrative efficiency

- Percentage decrease of ratio between administrative costs (including PDFF) and POW
- Percentage completion of key business processes to be analysed and streamlined compared to plan
- Percentage of documents dispatched to Executive Board on time
- Percentage of documents submitted to ES on time

1-7 = Corporate management results

II. Accounting function benchmarking survey results

1. As part of the move towards results based budgeting and generally improving performance and efficiency, IFAD has joined the international financial institution (IFI) Benchmarking Initiative.¹ General accounting and reporting cycle was one of the first areas that the group of IFIs chose to review and the following functions were considered in terms of cost effectiveness, process efficiency and cycle time:
 - Perform general accounting
 - Provide financial reporting
 - Manage financial policies and procedures.
2. Although these survey results cannot be taken as a definitive reflection of the actual situation, due to various assumptions utilized during the exercise, they can provide a general guideline about where IFAD stands with respect to the other survey participants.
3. Overall, from a cost point of view, IFAD's general accounting and reporting function is above the median of US\$3.44 per US\$1,000 of total administrative expenses and the chart below shows that two out of the six organizations surveyed have costs higher than those of IFAD (IFI6). The costs related to the three individual functions listed above were either in third or fourth place compared to the other IFIs in terms of cost efficiency.



4. The cost of personnel and information technology (IT) systems contained within the overall general accounting and reporting costs were measured separately and it is interesting to note that IFAD's personnel costs were relatively high, whilst the systems costs were extremely low. The low systems costs reflect the small amount invested in IT by IFAD relative to other IFIs.
5. The results of this survey are not at all surprising given the size of most of the other survey participants. IFAD cannot expect to reap the economies of scale of organizations such as the World Bank, but at the same time these results provide a target level of efficiency to aim for.

¹ The IFI Benchmarking initiative was initiated in 2005 and the following organizations are participating in various surveys: African Development Bank, Asian Development Bank, Caribbean Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, Islamic Development Bank and the World Bank.

III. 2005 budget execution

Overview of 2005 budget execution by source of funding

(Thousands of United States dollars)

<i>Source of funding</i>	<i>Restated budget^a at 0.801</i>	<i>2005 actual</i>	<i>Balance</i>	<i>Percentage utilized</i>
Administrative budget	53 947	53 738	209	99.6
One-time costs	3 610	2 743	867	76
PDFF	36 701	29 134	7 567	79
Management fees budget ^b	2 756	2 526	230	92
Total	97 014	88 141	8 873	91

^a The 2005 budget has been restated at the actual annual average EUR/US\$ exchange rate.

^b Includes service charges for supplementary fund administrative budget, Global Mechanism of the Convention to Combat Desertification and International Land Coalition.

Overview of 2005 budget execution by department

(Thousands of United States dollars)

<i>Department</i>	<i>Restated budget^a at 0.801</i>	<i>2005 actual</i>	<i>Balance</i>	<i>Percentage utilized</i>
External Affairs	12 905	11 470	1 435	89
Finance and Administration	25 898	25 675	223	99
Office of the President and Vice-President	6 813	6 342	471	93
Programme Management ^b	51 398	44 654	6 744	87
Total	97 014	88 141	8 873	91

^a The 2005 budget has been restated at the actual annual average EUR/US\$ exchange rate.

^b The Programme Management Department includes the PDFF, which is a multi-year funding facility.

Overview of 2005 budget execution by institutional priority (IP)

(Thousands of United States dollars)

<i>Institutional priority</i>	<i>Restated budget^a at 0.801</i>	<i>2005 actual</i>	<i>Balance</i>	<i>Percentage utilized</i>
Regular staff costs	35 982	35 922	60	100
IP 1 Manage loan funded country programme	31 190	25 666	5 524	82
IP 2 Manage grant global/regional	1 542	1 041	501	68
IP 3 Policy and strategy promotion	5 491	4 293	1 198	78
IP 4 Knowledge management	1 173	919	254	78
IP 5 Mobilize/manage resources	1 795	1 235	560	69
IP 6 Strategic partnership building	933	733	200	79
IP 7 Develop innovative approaches	79	54	25	68
IP 8 Institutional governance and management	18 829	18 278	551	97
Total	97 014	88 141	8 873	91

^a The 2005 budget has been restated at the actual annual average EUR/US\$ exchange rate.

IV. 2005 budget execution – PDFF

Overview of 2005 budget execution by institutional priority (IP) – PDFF (Thousands of United States dollars)

<i>Institutional priority</i>	<i>Restated budget at 0.801</i>	<i>2005 actual^a</i>	<i>Balance</i>	<i>Percentage utilized</i>
IP1: Manage loan/grant-funded country programmes for results	31 052	25 324	5 728	82
IP2: Manage grant-funded research and capacity-building programmes for results	1 438	912	526	63
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	3 270	2 575	695	79
IP4: Manage knowledge relevant to effective rural poverty reduction	351	202	149	58
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	148	13	135	9
IP6: Build strategic partnership with other actors in rural poverty reduction	314	95	219	30
IP7: Develop innovative approaches to rural poverty reduction	82	7	75	9
IP8a: Institutional governance	1	-	1	-
IP8b: Institutional management	45	6	39	13
Total	36 701	29 134	7 567	79

^a Staff costs have been prorated on the same basis as the original allocations due to the fact that they are not all recorded by activity within the accounting system.

V. 2006 budget execution to 30 September 2006

Overview of 2006 budget execution to 30 September 2006 by source of funding (Thousands of United States dollars)

<i>Source of funding</i>	<i>Approved budget at 0.819</i>	<i>Pre-encumbrance</i>	<i>Encumbrance</i>	<i>Expense</i>	<i>Available budget</i>	<i>Percentage utilized</i>
Administrative budget	61 137	424	44 839	8 285	7 589	88
One-time costs	382	-	244	127	11	97
PDFF ^a	37 982	882	21 228	9 738	6 134	84
Management fees budget ^b	2 556	10	1 966	171	409	84
Total	102 057	1 316	68 277	18 321	14 143	86

^a Includes PDFF carry-forward.

^b Includes service charges for supplementary fund administrative budget, Global Mechanism of the Convention to Combat Desertification and International Land Coalition.

Overview of 2006 budget execution to 30 September 2006 by department (Thousands of United States dollars)

<i>Department</i>	<i>Approved budget at 0.819</i>	<i>Pre-encumbrance</i>	<i>Encumbrance</i>	<i>Expense</i>	<i>Available budget</i>	<i>Percentage utilized</i>
External Affairs	16 195	200	11 842	2 260	1 893	88
Finance and Administration	26 873	220	17 706	5 508	3 439	87
Office of the President and Vice-President	4 987	10	3 798	234	945	81
Programme Management	54 002	886	34 931	10 319	7 866	85
Total	102 057	1 316	68 277	18 321	14 143	86

Overview of 2006 budget execution to 30 September 2006 by institutional priority (IP) (Thousands of United States dollars)

<i>Institutional priority</i>	<i>Approved budget at 0.819</i>	<i>Pre-encumbrance</i>	<i>Encumbrance</i>	<i>Expense</i>	<i>Available budget</i>	<i>Percentage utilized</i>
Regular Staff Costs	37 792	-	34 422	481	2 889	92
IP 1 Manage loan funded country programme	32 359	804	18 588	8 039	4 928	85
IP 2 Manage grant global/regional	2 050	1	1 054	443	552	73
IP 3 Policy and strategy promotion	6 536	207	3 516	1 909	904	86
IP 4 Knowledge management	1 406	65	720	331	290	79
IP 5 Mobilize/manage resources	1 730	4	1 299	76	351	80
IP 6 Strategic partnership building	1 319	1	568	191	559	58
IP 7 Develop innovative approaches	117	-	87	2	28	76
IP 8 Institutional governance and management	18 748	234	8 023	6 849	3 642	81
Total	102 057	1 316	68 277	18 321	14 143	86

VI. 2006 budget execution to 30 September 2006 – PDFF

2006 budget execution by institutional priority (IP) to 30 September 2006 – PDFF^a

(Thousands of United States dollars)

<i>Institutional priority</i>	<i>Approved budget at 0.819</i>	<i>Pre-encumbrance</i>	<i>Encumbrance</i>	<i>Expense</i>	<i>Available budget</i>	<i>Percentage utilized</i>
IP1: Manage loan/grant-funded country programmes for results	31 873	804	18 322	7 974	4 773	85
IP2: Manage grant-funded research and capacity-building programmes for results	1 777	1	912	442	422	76
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	3 210	43	1 570	1 084	513	84
IP4: Manage knowledge relevant to effective rural poverty reduction	557	34	172	171	180	68
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	71	-	26	2	43	39
IP6: Build strategic partnership with other actors in rural poverty reduction	349	-	114	62	173	50
IP7: Develop innovative approaches to rural poverty reduction	110	-	80	2	28	75
IP8b: Institutional management	35	-	32	1	2	94
Total	37 982	882	21 228	9 738	6 134	84

^a Includes PDFF carry-forward.

VII. Average loan and grant size, 1998–2005

		1998	1999	2000	2001	2002	2003	2004	2005 ^a
Loans approvals									
Number of loans		29	30	27	24	24	25	25	31
Value of loans	US\$ million	407.9	432.7	409	391.6	353.2	403.6	433.4	478.4
Average loan size	US\$ million	14.1	14.4	15.1	16.3	14.7	16.1	17.3	15.4
Grants approvals^b									
Number of grants		110	124	120	106	85	70	87	66
Value of grants	US\$ million	30.2	29.6	32.8	30.8	23.9	20.3	33.3	36.6
Average grant size	US\$ million	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.6
Total IFAD loans and grants operations^c	US\$ million	438.1	462.3	441.8	422.4	377.1	423.9	466.7	515.0

Source: IFAD annual reports.

^a Includes four projects (with IFAD financing of US\$33.7 million) approved outside the Regular Programme for countries affected by the tsunami.

^b Includes all categories of grants, but excludes transfer to the PDFF.

^c Excludes fully cancelled programmes and projects.

VIII. Usage of carry-forward funds

(Thousands of United States dollars)

<i>Carried forward funds from administrative budget^a</i>		2004	2005	2006
PMD	Staff transfers from FAD and Global Mechanism	333	-	-
EAD	North American Liaison Office (NALO) and Communications Division	414	-	-
EAD	Communications Division activities, Governing Council costs	307	-	-
FAD	Office of the Treasurer, Front Office and Office of Strategic Planning and Budget	135	-	-
FAD	Headquarters childcare facility and utility costs increase	148	-	-
OPV	Office of Evaluation activities and headquarter activities	128	-	-
PMD	Western and Central Africa Division	-	126	-
EAD	Communications Division and Front Office	-	228	-
EAD	Communications Division, Policy Division and Office of the Secretary, Governing Council costs and Executive Board costs	-	495	-
FAD	Office of Human Resources, training costs	-	300	-
FAD	Office of Administrative Services, health, safety and security improvements and Executive Board costs	-	57	-
FAD	Management Information Systems Division , document server and additional workstations	-	85	-
OPV	North American Liaison Office	-	132	-
OPV	Office of Internal Audit, Office of the General Counsel and Office of the Vice-President	-	141	-
PMD	International Land Coalition evaluation	-	-	200
EAD	Indigenous people exhibition	-	-	9
Total amount carried forward		1 465	1 564	209

^a The twenty-seventh session of the Governing Council held in February 2004 approved amendment of the Financial Regulations of IFAD (Regulation VI, paragraph 2), to authorize the carry-over of unused administrative allocations up to a level of 3 per cent.

Note: EAD = External Affairs Department

FAD = Finance and Administration Department

OPV = Office of the President and the Vice-President

PMD = Programme Management Department

IX. Indicative lending programme for 2007

	<i>Western and Central Africa</i>	<i>Eastern and Southern Africa</i>	<i>Asia and the Pacific</i>	<i>Latin America and the Caribbean</i>	<i>Near East and North Africa</i>	<i>Total</i>
Indicative country list (gross programme)	Cameroon	Angola	Bangladesh	Dominican Republic	Armenia	
	Gabon	Burundi	Cambodia	Jamaica	Azerbaijan	
	Ghana	Ethiopia	China	Honduras	Georgia	
	Guinea	Kenya	Indonesia	Nicaragua	Morocco	
	Guinea-Bissau	Lesotho	Maldives	Peru	Syrian Arab Republic	
	Nigeria	Uganda	Nepal	Venezuela (Bolivarian Republic of)	Yemen	
	Sierra Leone		Pakistan			
		Philippines				
		Viet Nam				
	7	6	9	6	6	34
Reserve projects	Burkina Faso	Comoros	Kyrgyzstan	Ecuador	Djibouti	
		Malawi	Tajikistan	Mexico	Jordan	
		Madagascar			The former Yugoslav Republic of Macedonia	
		Mauritius				12

X. Analysis of administrative costs ratio

Administrative costs ratio for 2005 (Thousands of United States dollars)

		<i>Budget</i>	<i>Actual</i>
Staff costs		42 085	41 532
Other		11 218	11 557
Administrative budget		53 303	53 089
PDFF		29 968	29 134
Total administrative costs	A	83 271	82 223
Proposed POW		500 000	528 500
Transfer to PDFF		13 500	13 500
POW net of transfer to PDFF	B	486 500	515 000
Administrative costs ratio	A/B	17.1%	16.0%

XI. 2007 administrative budget by activity for each department

(Thousands of United States dollars)

	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)			Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total budget		
	2006 ^{a,d}	2007	% inc. (dec)	2006 ^{a,d}	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)
IP1: Manage loan/grant-funded country programmes for results	669	709	6	-	-	-	848	1 893	123	5 782	6 294	9	7 299	8 896	22
IP2: Manage grant-funded research and capacity-building programmes for results	265	166	(37)	55	297	440	38	-	(100)	1 847	1 343	(27)	2 205	1 806	(18)
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	965	910	(6)	5 321	3 819	(28)	177	112	(37)	3 316	3 825	15	9 779	8 666	(11)
IP4: Manage knowledge relevant to effective rural poverty reduction	51	34	(33)	1 663	1 913	15	182	-	(100)	1 595	1 729	8	3 491	3 676	5
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	480	632	32	670	1 078	61	3 852	3 978	3	530	313	(41)	5 532	6 001	8
IP6: Build strategic partnership with other actors in rural poverty reduction	421	295	(30)	1 131	1 454	29	304	280	(8)	1 126	1 605	43	2 982	3 634	22
IP7: Develop innovative approaches to rural poverty reduction	-	-	-	15	150	900	-	-	-	644	629	(2)	659	779	18
IP8a: Institutional governance ^b	1 635	2 249	38	6 500	7 591	17	733	536	(27)	89	70	(21)	8 957	10 446	17
IP8b: Institutional management ^c	475	396	(17)	649	1 142	76	19 448	20 380	5	1 465	1 669	14	22 037	23 587	7
Total	4 961	5 391	9	16 004	17 444	9	25 582	27 179	6	16 394	17 477	7	62 941	67 491	7

^a Resource Mobilization Division (ER) and NALO have been transferred from OPV Department to EAD Department in 2006.

^b Includes External Evaluation, Governing Body Relations, Legal and Internal Audit activities.

^c Includes Organizational Strategy and Management, Manage Work Environment, HR Management, IT Management.

^d 2006 figures do not include the 12.16 per cent increase in General Service staff costs and are restated at EUR/US\$ exchange rate of 0.786 to facilitate the comparison with 2007 budget.

XII. 2007 administrative budget by expense for each department

(Thousands of United States dollars)

	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)			Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total budget		
	2006 ^{a,d}	2007	% inc. (dec)	2006 ^{a,d}	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)	2006 ^d	2007	% inc. (dec)
Building maintenance and security subcontracting costs	-	-	-	-	-	-	2 980	3 626	22	-	-	-	2 980	3 626	22
Duty travel	316	273	(14)	585	641	10	291	308	6	276	335	21	1 468	1 557	6
Information and communication technology services	-	-	-	-	4	100	2 078	2 108	1	-	-	-	2 078	2 112	2
Printing, supplies and equipment rental	-	5	100	153	267	75	2 330	1 548	(34)	-	14	100	2 483	1 834	(26)
Interpreters/translators	-	-	-	1 751	1 455	(17)	-	-	-	18	-	(100)	1 769	1 455	(18)
Other ^b	164	162	(1)	1 141	1 126	(1)	879	1 100	25	99	84	(15)	2 283	2 472	8
Staff costs ^c	4 386	4 856	11	11 313	12 999	15	16 879	18 358	9	15 851	16 894	7	48 429	53 107	10
Consultants	95	95	-	1 061	952	(10)	42	31	(26)	150	150	-	1 348	1 228	(9)
Contingency	-	-	-	-	-	-	103	100	(3)	-	-	-	103	100	(3)
Total	4 961	5 391	9	16 004	17 444	9	25 582	27 179	6	16 394	17 477	7	62 941	67 491	7

^a ER and NALO have been transferred from OPV Department to EAD Department in 2006.

^b Other includes the separation package previously under complementary contribution, communication costs relating to major international events and to the Governing Council, the production of exhibits and shipping costs, the cost of Executive Board Directors field visits, the cost of external audit fees, meetings and seminars and the provision of library books and periodicals.

^c Includes After-Service Medical Coverage Scheme costs, recruitment costs, overtime and Food and Agriculture Organization of the United Nations medical charges.

^d 2006 figures do not include the 12.16 per cent increase in General Service staff costs and are restated at EUR/US\$ exchange rate of 0.786 to facilitate the comparison with 2007 budget.

XIII. 2007 Programme Development Financing Facility by institutional priority by department

(Thousands of United States dollars)

	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)		Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total budget		
	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	% inc. (dec)
IP1: Manage loan/grant-funded country programmes for results	51	52	2	-	-	22	73	232	25 179	28 119	12	25 252	28 244	12
IP2: Manage grant-funded research and capacity-building programmes for results	-	-	-	-	-	11	-	(100)	1 438	1 066	(26)	1 449	1 066	(26)
IP3: Promote inclusive and enabling poverty reduction policies at local, national, regional and global levels	-	-	-	-	-	-	-	-	2 946	2 894	(2)	2 946	2 894	(2)
IP4: Manage knowledge relevant to effective rural poverty reduction	-	-	-	-	-	-	-	-	558	907	63	558	907	63
IP5: Mobilize and manage financial resources for rural poverty reduction programmes	-	-	-	-	-	14	-	(100)	68	-	(100)	82	-	(100)
IP6: Build strategic partnership with other actors in rural poverty reduction	-	-	-	-	-	-	-	-	328	468	43	328	468	43
IP7: Develop innovative approaches to rural poverty reduction	-	-	-	-	-	-	-	-	56	20	(64)	56	20	(64)
IP8a: Institutional governance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IP8b: Institutional management	-	-	-	-	-	-	-	-	57	201	253	57	201	253
Total	51	52	2	-	-	47	73	55	30 630	33 675	10	30 728	33 800	10

^a 2006 figures do not include the 12.16 percent increase in General Service staff cost and are restated at EUR/US\$ exchange rate of 0.786 to facilitate comparison with the 2007 budget.

XIV. 2007 Programme Development Financing Facility by expense and by department

(Thousands of United States dollars)

	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)		Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total budget		
	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	% inc. (dec)	2006 ^a	2007	% inc. (dec)
Duty travel	51	52	2	-	-	47		55	1 924	2 392	24	2 022	2 517	24
ICT&S Information and communication technology services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other ^b		-	-	-	-	-	-	-	1 284	107	(92)	1 284	107	(92)
Staff costs	-	-	-	-	-	-	-	-	3 640	3 965	9	3 640	3 965	9
Consultants	-	-	-	-	-	-	-	-	12 985	14 044	8	12 985	14 044	8
Cooperating institutions	-	-	-	-	-	-	-	-	10 797	13 167	22	10 797	13 167	22
Total	51	52	2	-	-	47	73	55	30 630	33 675	10	30 728	33 800	10

^a 2006 figures do not include the 12.16 per cent increase in General Service staff costs and are restated at EUR/US\$ exchange rate of 0.786 to facilitate comparison with the 2007 budget.

^b Includes workshops, goods and services (maps), publications, hospitality, miscellaneous, etc.

XV. Staffing levels administrative budget

2007 staff levels

Administrative budget – Total staff^a (number of FTEs)

	2006 level	Regular	Fixed-term ^b	Temporary staff	2007 total
External Affairs Department (EAD)					
Office of the Assistant President	5.26	4.00	-	0.26	4.26
Communications Division	18.00	11.00	7.00	-	18.00
Policy Division	11.00	11.00	2.00	-	13.00
Office of the Secretary	59.27	33.17	18.67	9.77	61.61
Resource Mobilization Division	10.00	9.00	2.00	-	11.00
North American Liaison Office	3.50		4.00	-	4.00
Total EAD	107.03	68.17	33.67	10.03	111.87
Finance and Administration Department (FAD)					
Office of the Assistant President	2.08	2.00	-	-	2.00
Office of the Controller	32.50	30.00	3.00	-	33.00
Office of Strategic Planning and Budget	9.00	3.00	6.00	-	9.00
Office of the Treasurer	14.00	10.00	4.00	-	14.00
Office of Human Resources	17.00	14.00	3.00	-	17.00
Management Information Systems Division	30.68	21.67	9.00	-	30.67
Office of Administrative Services	41.14	26.81	10.00	3.85	40.66
Total FAD	146.40	107.48	35.00	3.85	146.33
Office of the President and Vice-President (OPV)					
Office of the President	5.00	5.00	-	-	5.00
Office of the Vice-President	3.36	2.00	1.33	-	3.33
Office of Internal Audit	8.00	5.00	3.00	-	8.00
Office of the General Counsel	14.96	9.00	5.14	0.83	14.97
Total OPV	31.32	21.00	9.47	0.83	31.30
Programme Management Department (PMD)					
Office of the Assistant President	11.15	11.00	0.25	0.23	11.48
Western and Central Africa Division	22.10	18.00	3.21		21.21
Eastern and Southern Africa Division	18.00	18.00			18.00
Asia and the Pacific Division	17.00	16.00		0.25	16.25
Latin America and the Caribbean Division	15.92	15.00	2.00		17.00
Near East and North Africa Division	14.00	14.00		0.75	14.75
Technical Advisory Division	15.00	14.00	0.75		14.75
Total PMD	113.17	106.00	6.21	1.23	113.44
Grand Total	397.92	302.65	84.35	15.94	402.94

^a FTE = 12 months. Part-time represents 0.67 or 0.70 or 0.80 of one FTE.

^b Includes 3 staff with continuous contracts without a post.

XVI. Staffing levels – PDFF

2007 staff levels^a (number of FTEs)^b PDFF

	<i>2006 level</i>	<i>Continuous^c</i>	<i>Fixed-term</i>	<i>Temporary staff</i>	<i>2007 grand total</i>
External Affairs Department (EAD)	-	-	-	-	-
Finance and Administration Department (FAD)	-	-	-	-	-
Office of the President and Vice-President (OPV)	-	-	-	-	-
Programme Management Department (PMD)	-	-	-	-	-
Office of the Assistant President	1.00	-	0.50	0.25	0.75
Western and Central Africa Division	8.00	-	6.00	-	6.00
Eastern and Southern Africa Division	3.58	1.00	5.00	1.60	7.60
Asia and the Pacific Division	10.00	-	8.67	-	8.67
Latin America and the Caribbean Division	3.50	1.00	5.00	-	6.00
Near East and North Africa Division	7.82	-	6.00	-	6.00
Technical Advisory Division	4.37	-	4.25	-	4.25
Global Environment Facility	4.00	-	4.00	-	4.00
Total PMD	42.27	2.00	39.42	1.85	43.27

^a Distribution of posts within PMD divisions is indicative and is subject to review by the Assistant President PMD.

^b FTE = 12 months. Part-time represents 0.67 or 0.70 or 0.80 of one FTE.

^c Staff holding a continuous contract without a post.

XVII. Staffing levels supplementary funds and APO administrative budget

2007 staff levels^a (number of FTEs)

Supplementary funds and APO administrative budget – total staff

	<i>Regular staff</i>				<i>2007 grand total</i>
	<i>Subtotal professional</i>	<i>Subtotal support staff</i>	<i>Fixed-term</i>	<i>Temporary staff</i>	
External Affairs Department (EAD)					
Office of the Assistant President	-	-	-	-	0
Communications Division	-	-	1	-	1
Policy Division	-	1	-	-	1
Office of the Secretary	-	-	1	-	1
Resource Mobilization Division	1	-	2	-	3
North American Liaison Office	-	-	-	-	0
Total EAD	1	1	4	-	6
Finance and Administration Department (FAD)					
Office of the Assistant President	-	-	-	1	1
Office of the Controller	2	1	-	-	3
Office of Strategic Planning and Budget	1	-	-	-	1
Office of the Treasurer	-	1	1	-	2
Office of Human Resources	1	2	-	-	3
Management Information Systems Division	-	-	2	-	2
Office of Administrative Services	-	-	3	-	3
Total FAD	4	4	6	1	15
Office of the President and Vice-President (OPV)					
Office of the President	-	-	-	-	0
Office of the Vice-President	-	-	-	-	0
Office of Internal Audit	-	-	-	-	0
Office of the General Counsel	-	-	.86	-	.86
Total OPV	-	-	.86	-	.86
Programme Management Department (PMD)					
Office of the Assistant President	-	1	-	-	1
Western and Central Africa Division	-	-	-	-	0
Eastern and Southern Africa Division	-	-	-	-	0
Asia and the Pacific Division	-	-	1	-	1
Latin America and the Caribbean Division	-	-	-	-	0
Near East and North Africa Division	-	-	-	-	0
Technical Advisory Division	-	1	-	-	1
Total PMD	-	2	1	-	3
Grand total	5	7	11.86	1	24.86

^a FTE = 12 months. Part-time represents 0.67 or 0.70 or 0.80 of one FTE.

XVIII. Analysis of regular staff

Administrative budget – Regular staff – Ratio of Professional to General Service staff

<i>Department</i>	<i>2006 Ratio P:G</i>	<i>Professional</i>	<i>General Service</i>	<i>Total</i>	<i>2007 Ratio P:G</i>
External Affairs Department (EAD)	0.70	32.00	36.17	68.17	0.88
Finance and Administration Department (FAD)	0.54	38.00	69.48	107.48	0.55
Office of the President and Vice-President (OPV)	1.42	11.00	10.00	21.00	1.10
Programme Management Department (PMD)	1.43	62.00	44.00	106.00	1.41
Total	0.89	143.00	159.65	302.65	0.90

Note: P = Professional; G = General Service

Administrative budget – Regular staff by gender

	<i>Professional</i>									<i>General Service</i>								
	<i>2006</i>			<i>2007</i>			<i>2007/2006 increase (decrease)</i>			<i>2006</i>			<i>2007</i>			<i>2007/2006 increase (decrease)</i>		
	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>	<i>M</i>	<i>F</i>	<i>Total</i>
	Continuous	46	32	78	40	35	75	(6)	3	(3)	22	88	110	23	86	109	1	2
Fixed-term	26	23	49	29	21	50	3	(2)	1	9	38	47	8	37	45	(1)	1	(2)
Total	72	55	127	69	56	125	(3)	1	(2)	31	126	157	31	123	154	0	3	(3)

Appointments to Director

2005 - 1

2006 - 3

2005 Retirements

P category - 3

GS category - 6

2005 Promotions

From GS to P category - 2

Within P category - 9

Within GS category - 9

Redeployments

2006 – P category

1 staff from the Resource Mobilization Division to the Office of Administrative Services

1 post from the Office of Administrative Services to the Resource Mobilization Division

1 staff from the Office of Administrative Services to the Office of the Controller

2006 – GS category

1 staff from the Office of the Assistant President (EAD) to the Policy Division

1 post from the Office of the Secretary to the Resource Mobilization Division to cover a staff from the Policy Division

1 staff from the Eastern and Southern Africa Division to the Office of Internal Audit (non-regular post)

1 staff from the Office of the Controller to the Latin America and the Caribbean Division (non-regular post)

1 staff from the Policy Division to the Office of the Controller

XIX. Projected resources available for commitment, 2005-2007

	Millions of United States dollars			Millions of SDR		
	2007 Estimated	2006 Estimated	2005 Actual	2007 Estimated	2006 Estimated	2005 Actual
Committable resources at the beginning of the year	0.0	0.0	0.0	0.0	0.0	0.0
Loan cancellations	60.0	90.0	58.4	40.7	65.5	39.8
Exchange rate adjustment	0.0	(19.4)	24.3	(0.1)	(10.6)	2.2
Movement on contribution provisions	0.0	0.0	2.2	0.0	0.0	1.4
Subtotal	60.0	70.6	84.9	40.6	54.9	43.4
Member contributions ^a	297.0	175.0	127.3	201.2	119.3	88.6
Loan reflows ^b	160.0	158.0	183.2	108.4	107.4	124.3
Net investment income ^c	72.0	50.7	68.2	48.8	34.5	46.3
Operating expenditures (including Office of Evaluation) ^d	(67.5)	(66.9)	(65.4)	(45.7)	(45.5)	(44.4)
After-Service Medical Coverage Scheme (ASMCS) ^e	0.0	0.0	(11.1)	0.0	0.0	(7.5)
PDFF	(33.8)	(30.4)	(29.0)	(22.9)	(20.7)	(19.7)
Strategic Change Programme	(5.5)	(3.0)	(0.6)	(3.7)	(2.0)	(0.4)
Resources after expenditures	482.2	354.0	357.5	326.7	247.8	230.6
Commitments for loan and grants ^f	(589.9)	(547.2)	(516.7)	(399.7)	(371.3)	(349.8)
Resources before ACA	(107.7)	(193.2)	(159.2)	(73.0)	(123.5)	(119.2)
Net use of ACA	107.7	193.2	159.2	73.0	123.5	119.2

^a These projections are heavily dependent on the assumptions used for Sixth Replenishment contributions, which are based on normal and agreed payments. The 2007 estimates are based on the target level and include also remaining payments from the Sixth Replenishment.

^b Loan reflows are shown net of repayments on behalf of HIPC debt initiative countries.

^c Current 2006 estimate as at October 2006.

^d Operating expenditures include one-time costs and Field Presence Pilot Programme.

^e No information is currently available regarding the potential charge for ASMCS for 2006 or 2007.

^f Commitments for loans and grants include grants approved directly by the President and exclude ex-grants transferred to the PDFF. While the SDR amounts for the 2006 programme of work are in line with those approved by the Executive Board in December 2005, the US\$ amounts are slightly different due to changes in the US\$/SDR exchange rate. As exchange rates may vary between now and the end of the year, US\$ amounts will reflect any such changes.

Summary of advance commitment authority^a

	Millions of United States dollars			Millions of SDR		
	2007	2006	2005	2007	2006	2005
Opening balance	489.2	296.0	136.8	331.0	207.5	88.3
Net use ACA during the year	107.7	193.2	159.2	73.0	123.5	119.2
ACA carry forward	596.9	489.2	296.0	404.0	331.0	207.5

^a See explanation in section II of the main text – resources available.

XX. Supplementary and complementary funds

(Thousands of United States dollars)

	<i>Programmatic funds</i>		<i>Grant cofinancing</i>	
	<i>Cumulative to 31 December 2005</i>	<i>2005</i>	<i>Cumulative to 31 December 2005</i>	<i>2005</i>
Contributions received	70 975	11 834	165 803	2 225
Contributions allocated (80 per cent of receipts)	56 645	4 478	165 803	2 225
Disbursements	47 524	5 157	156 660	7 596
Balance undisbursed (16 per cent)	9 121		9 143	

Note 1. 84 per cent of supplementary funds received in 2005 were from Italy.

Note 2. Major activities to which disbursements in 2005 related:
 Policy and strategy development dialogue – 33 per cent
 Development of strategies/policies for poverty reduction – 21 per cent
 Evaluation activities (by OE) -11 per cent

Complementary funds for the IFAD Initiative for Mainstreaming Innovation (IMI)

(Thousands of United States dollars)

	<i>Cumulative to 30 June 2006</i>
Contributions received from the United Kingdom (Department for International Development)	7 284
Contributions allocated ^a	2 767
Disbursements ^a	1 062
Balance	1 705

^a See document EB 2006/88/INF.4 for details.

Note: Another group of proposals was assessed by the IMI Steering Committee in September 2006 and allocations to the successful proposals will be made during October after the President's approval.

XXI. Three-year Field Presence Pilot Programme – Status as at 30 September 2006

(Thousands of United States dollars)

	2004	2005	2006	2007	Total
Allocated	991	1 322	687	-	3 000
Carried forward	-	549	1 351	533	-
Available for use	991	1 871	2 038	-	-
Committed	442	520	1 010	-	1 972
Estimated future commitments	-	-	495	533	1 028
Total available at year end	549	1 351	533	-	-

XXII. Estimate of direct charges on investment income for 2007

(Thousands of United States dollars)

	2006	2007	Percentage increase (decrease)
Management fees			
Fixed income	1 815	1 815	0
Diversified fixed income.	1 365	1 365	0
Treasury inflation protected bonds	930	930	0
Subtotal	4 110	4 110	0
Custodian fees			
Core services (custody and safekeeping)	280	260	(7)
Auxiliary services (compliance, analytics)	190	210	11
Transaction costs	300	200	(33)
Subtotal	770	670	(13)
Advice and information services			
Financial advisor	250	250	0
Legal and tax advisors	130	130	0
Financial information providers (Bloomberg, Moody)	200	250	25
Consultants	60	60	0
Subtotal	640	690	8
Total	5 520	5 470	(1)

Note: The overall 2007 DCII budget forecast is expected to decrease by 1 per cent over the 2006 DCII budget figure:

(a) Total management fees are projected to remain unchanged. The assumption used is that all assets currently invested in short-term instruments, will be reinvested with the original external portfolio managers and therefore, the fees have been calculated to reflect the 2006 estimates.

(b) Total custodian fees are projected to decrease by 13 per cent due to the reduction of fees by the custodian, and to a smaller extent to the change of one external portfolio manager, whose portfolio incurred high custodian fees.

(c) Total advice and information services are projected to increase by 8 per cent due to an increase in costs related to information service providers.

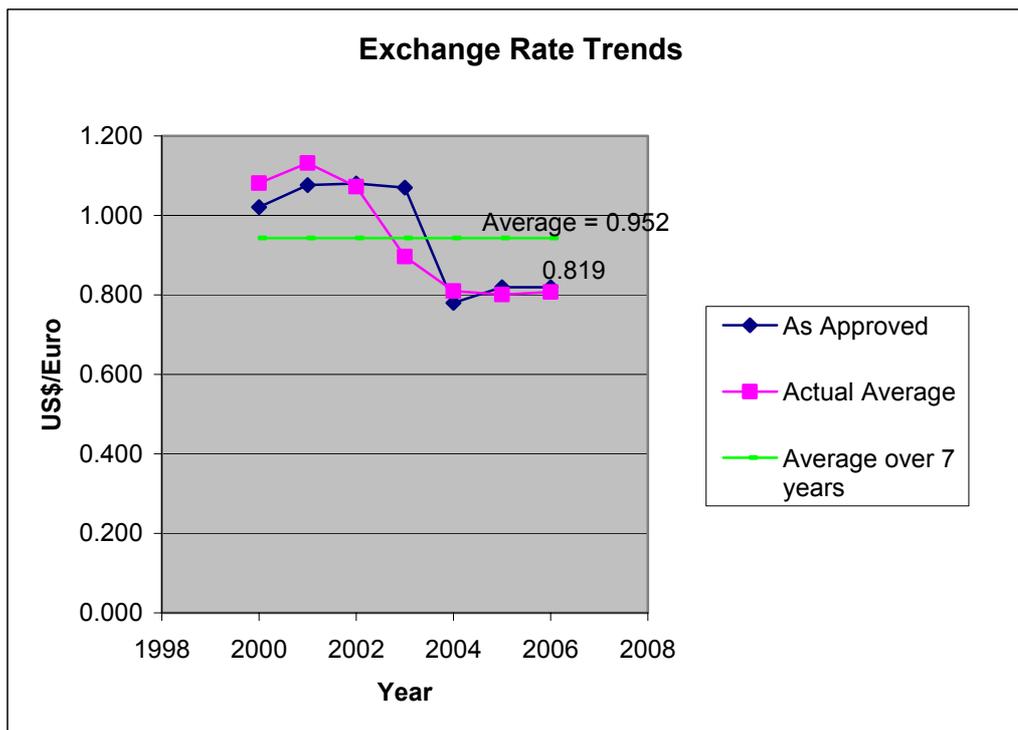
XXIII. Enhanced Associate Professional Officer Programme

1. At its September 2006 session the Executive Board expressed its support for an enhanced APO programme for candidates from developing countries (EB 2006/88/C.R.P.1/Rev.2). It will run parallel to the current APO programme that is funded by interested OECD countries for their own respective nationals. The candidates for the enhanced APO programme will be recruited, based on merit, from developing countries. Under the programme, at least four APOs will be taken for a period of two years each. The cost estimates will be carefully reviewed and kept to the absolute minimum. The relevant information on the costs will be shared with the Board.
2. The cost of the programme will be limited to US\$1 million and it will be treated as a three-year pilot programme, as was the case for the Field Presence Pilot Programme. In this context, IFAD will also seek additional voluntary contributions from interested Member States and/or take other cost-effective measures to include additional APOs.
3. After the three-year pilot phase, an evaluation will be undertaken and the future of the programme will be decided in the light of the evaluation.

XXIV. Exchange rate trends

	Rate at which administrative budget approved			Average annual actual exchange rate		
	ITL/US\$	EUR/US\$	Strengthening/ (weakening) of dollar (percentage)	ITL/US\$	EUR/US\$	Strengthening/ (weakening) of dollar (percentage)
2000	1 977.60	1.021		2 091	1.081	
2001	2 084.00	1.076	5.4	2 161	1.132	4.7
2002		1.146	6.5		1.072	(5.3)
2003		1.070	(6.6)		0.896	(16.4)
2004		0.780	(27.1)		0.810	(9.6)
2005		0.819	5.0		0.801	(1.1)
2006		0.819	0.0		0.807	0.7

Note: 2006 actual rate is the average rate for the nine months ended 30 September 2006.



XXV. OE achievements in relation to planned priorities and activities in 2006

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status (December 2006)</i>
(a) Undertake selected corporate level, regional strategy, country programme, thematic and project evaluations	1. Corporate-level evaluations	Evaluation of the IFAD Rural Finance Policy	To be completed by Oct 2006	Report finalized and discussed with the Evaluation Committee at its forty-sixth in session
		Evaluation of the Field Presence Pilot Programme	To start in Jan 2006	Undertaken as scheduled
		Evaluation of the Action Plan	To be completed by Dec 2007	Has been dropped as per the recommendation of the Evaluation Committee during its forty-fifth session
		Evaluation of the Regional Strategy for Asia and the Pacific	To be completed by Jun 2006	Completed
		Evaluation of the Regional Strategy for Near East and North Africa	To start in Jan 2006	Undertaken as scheduled
	2. Country programme evaluations	Brazil	To start in Oct 2006	Undertaken as scheduled
		Ethiopia	To start in Oct 2006	To start in Mar 2007, as per agreement of the Evaluation Committee in its forty-third session
		Mali	To be completed by Dec 2006	Report finalized and discussed with the Evaluation Committee during its forty-sixth session
		Morocco	To be completed by Nov 2006	Will be completed in 2007
		Nigeria	To start in Dec 2006	To start in Mar 2007, as per agreement of the Evaluation Committee in its forty-third session
	3.1 Interim project evaluations	Colombia, Rural Micro-enterprise Development Programme	To be completed by Dec 2006	Completed
		Peru, Development of the Puno-Cusco Corridor Project	To be completed by Jun 2006	Completed
	3.2 Completion project evaluations	Belize, Community-Initiated Agriculture and Resource Management Project	To start in Dec 2006	Undertaken as scheduled
		Ethiopia, Southern Region Cooperatives Development and Credit Project	To be completed by Sep 2006	Completed
Georgia, Agricultural Development Project		To be completed by Sep 2006	Completed	
Morocco, Tafilalet and Dades Rural Development Project		To be completed by Feb 2006	Completed	

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status (December 2006)</i>
		Niger, Special Country Programme – Phase II	To be completed by Sep 2006	Completed
		Philippines, Cordillera Highland Agricultural Resource Management Project	To be completed by Dec 2006	Completed
		Romania, Apuseni Development Project	To be completed by Jul 2006	Will be completed in January 2007
		United Republic of Tanzania, Participatory Irrigation Development Programme	To be completed by Sep 2006	Completed
(b) Specific evaluation work required by the Evaluation Policy for presentation to the Evaluation Committee and Executive Board	4. Evaluation Committee	Implementation of four regular sessions and any additional ad hoc sessions according to the proposed revised terms of reference and rules of procedure of the Evaluation Committee	Four regular sessions in 2006	Completed
		Review of the implementation of the work programme and budget 2006 and preparation of the work programme and budget 2007	To be completed by Dec 2006	Completed
		OE's comments on the President's report on the implementation status of evaluation recommendations and management actions	To be completed by July 2006	Completed
		Fourth annual report on the results and impact of IFAD operations	To be completed by Dec 2006	Completed
		OE comments on the portfolio performance report	To be completed by Apr 2006	Completed
		OE comments on IFAD's Supervision and Implementation Support Policy	To be completed by Dec 2006 (New activity)	Completed
		Field visit of the Evaluation Committee	March 2006	Completed

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status (December 2006)</i>
(c) and (d) Outreach and partnership; evaluation methodological development; and other activities	5. Communication activities	OE reports, evaluation profiles and insights, and website	Jan-Dec 2006	Undertaken as scheduled
	6. Partnerships	Swiss Agency for Development and Cooperation; United Nations Inter-Agency Working Group on Evaluation and Evaluation Cooperation Group	Jan-Dec 2006	Undertaken as scheduled
	7. Methodological work	Evaluation manual	To be completed by Dec 2006	To be completed in early 2007
		OE's contribution to enhance IFAD self-evaluation activities	To be completed by Dec 2006	Completed
		Consultants management	To be completed by Dec 2006	Work in progress, to be completed in early 2008
		Conference on evaluation	Oct 2006	A number of conferences related to evaluation were organized including on the Mexico CPE and the EVEREST
		Peer reviews of all higher-plane evaluations	To be completed by Dec 2006	Completed
	8. OPV/OE coordination	Quarterly activity review meetings	Four meetings in 2006	One meeting held in first semester
	9. Project development teams (PDTs) and Operational Strategy Committee (OSC)	Two PDTs per evaluation officer and OSCs are required	Jan-Dec 2006	Completed

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

XXVI. OE 2007 budget proposal

Table 1

OE 2007 budget shown as expenditure basis

(Thousands of United States dollars)

	2006 ^a	2006 Restated ^b	Price increase ^c	Real increase	2007
Staff costs	2 148	2 221	171	365 ^d	2 757
Regular and fixed term	1 889	1953	158	193	2 304
Temporary staff	244	252	12	172	436
Overtime	15	16	1	0	17
Evaluation work	2 307	2333	46	195	2 574
Corporate-level evaluations	965	978	19	-128	869 ^e
Country programme evaluations	416	421	8	588	1 017
Project evaluations	631	639	13	-219	433
Other activities	295	295	6	-46	255
Evaluation Committee	74	77	1	0	78
Staff travel	268	274	5	0	279
Total	4 797	4 905	223	560	5 688

^a As approved by the Governing Council in February 2006 at EUR/US\$ 0.819.

^b As for the rest of IFAD, budget restated using EUR/US\$ 0.786.

^c The price increase in staff costs includes: (i) the increase dictated by the International Civil Service Commission, and (ii) as for the rest of IFAD, increases in the standard position costs. For non-staff cost, an increase of 2 per cent has been applied in line with the rest of IFAD.

^d For staff costs, the real increase includes the costs of two new senior evaluation officer posts.

^e This includes an allocation for the joint evaluation with AfDB on Africa, which will have to be supplemented by the mobilization of around US\$200,000 in supplementary funds. It is to be noted that the 2007 budget for the planned joint evaluation does not include a provision for the organization of conferences/workshops or other outreach initiatives to share and discuss the overall findings, recommendations and lessons learned from the evaluation in 2008.

Table 2
OE Human resource requirements in 2007

(as compared with 2005 and 2006)

	<i>Human resource category</i>	<i>Numbers in 2005</i>	<i>Numbers in 2006</i>	<i>Numbers in 2007</i>
Regular	Professional staff			
	Director	1	1	1
	Deputy director	1	1	1
	Evaluation officers	5	5	6
	Evaluation/Information officer	1	1	1
	General Service staff			
	Administrative assistant	1	1	1
	Evaluation assistants	6.5	6.5	6.5
	Subtotal	15.5	15.5	16.5
	Temporary	Professional staff	0.5	0.5
General Service staff		2	2	2
Grand total		18	18	20

XXVII. OE work programme for 2007

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Start date</i>	<i>Expected finish</i>
(a) Undertake selected corporate-level, country programme, and project evaluations	1. Corporate-level evaluations	Evaluation of the IFAD Rural Finance Policy (final international workshop)	Oct-05	Mar-07
		Evaluation of the Field Presence Pilot Programme	Jan-06	Jul-07
		Evaluation of the Regional Strategy for the Near East and North Africa (final workshop)	Nov-05	Mar-07
		Evaluation of IFAD's capacity to promote replicable innovations for rural poverty reduction	Dec-07	Mar-09
		Joint evaluation with AfDB on Agriculture and rural development in Africa	Jan-07	Dec-08
		Evaluation of IFAD's approaches and operations in Meso-America	Nov-07	Mar-09
	2. Country programme evaluations	Brazil	Oct-06	Dec-07
		Ethiopia	Mar-07	May-08
		Morocco	May-06	Jul-07
		Nigeria	Mar-07	May-08
		Pakistan	Jan-07	Feb-08
		Sudan	Mar-07	May-08
	3. Project evaluations	Burkina Faso, Rural Development Project	Mar-07	Oct-07
	3.1 Interim evaluations	Philippines, Western Mindanao Community Initiatives Project	Apr-07	Nov-07
	3.2 Completion evaluations	Albania, Mountain Areas Development Programme	Apr-07	Nov-07
		Belize, Community-initiated Agriculture and Resource Management Project	Dec-06	Jul-07
Pakistan, Dir Area Support Project		Mar-07	Oct-07	
Romania, Apuseni Development Project		Jan-06	Jan-07	

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Start date</i>	<i>Expected finish</i>
(b) Specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee	4. Evaluation Committee	Implementing of four regular sessions and additional ad hoc sessions, according to the revised terms of reference and rules of procedure of the Evaluation Committee	Jan-07	Dec-07
		Review of the implementation of the work programme and budget 2007 and preparation of the work programme and budget 2008	Jan-07	Dec-07
		OE's comments on the President's report on the implementation status of evaluation recommendations and management action (PRISMA)	Jan-07	Jun-07
		Fifth annual report on the results and impact of IFAD operations (ARRI)	Jan-07	Dec-07
		OE comments on the PMD portfolio performance report (PPR)	Jun-07	Dec-07
		OE comments on selected IFAD operation policies prepared by IFAD Management for consideration by the Evaluation Committee	Jan-07	Dec-07
		Field visit of the Evaluation Committee	2007	2007
(c) Evaluation outreach and partnerships	5. Communication activities	Reports, profiles, insights, OE website, etc	Jan-07	Dec-07
	6. Partnerships	Swiss Agency for Development and Cooperation; United Nations Inter-Agency Working Group on Evaluation and International Development Evaluation Association (IDEAS)	Jan-07	Dec-07
	7. Project development teams and OSCs as required	Two PDTs per evaluation officer per year	Jan-07	Dec-07
(d) Evaluation methodology development	8. Methodological work	Methodology quality assurance	Jan-07	Dec-07
		Evaluation manual	Jan-07	Apr-07
		OE's contribution to enhance IFAD self-evaluation activities	Jan-07	Dec-07
		Consultants management	Jan-07	Dec-07
		Peer reviews of all higher plane evaluations and selected project evaluations	Jan-07	Dec-07

XXVIII. Higher-plane evaluations conducted by OE, 2005-2007

(expressed in full-time equivalents)

<i>Type of evaluation</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Corporate-level evaluations	2.25	3.1	3.5
1. Rural Finance Policy			0.2
2. Field Presence Pilot Programme			0.5
3. Regional strategy for the Near East and North Africa			0.2
4. Joint Evaluation with AfDB on agriculture and rural development in Africa			2.0 ^b
5. IFAD approaches and operations in Meso-America ^a			0.4
6. IFAD's capacity to promote replicable innovations for rural poverty reduction ^a			0.2
Country programme evaluations	3.75	2.5	4.2
1. Brazil			0.8
2. Ethiopia			0.7
3. Morocco			0.3
4. Nigeria			0.7
5. Pakistan ^a			1.0
6. Sudan ^a			0.7
Total	6.0	5.6	7.7

^a These are new evaluations.

^b The joint evaluation on agriculture and rural development in Africa is expected to require a level of effort that is at least double that of a typical corporate-level evaluation.