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Enabling poor rural people
to overcome poverty

**High-level preview of IFAD's 2010
results-based programme of work and
administrative and capital budgets,
and the Office of Evaluation's three-
year (2010-2012) rolling work
programme and 2010 resource issues**

Executive Board — Ninety-seventh Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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Abbreviations and acronyms

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD Operations
CLE	corporate-level evaluation
CMR	corporate management result
COSOP	country strategic opportunities programme
CPE	country programme evaluation
DSF	Debt Sustainability Framework
ECD	evaluation capacity development
ECG	Evaluation Cooperation Group
FAO	Food and Agriculture Organization of the United Nations
ICT	information-and-communications technology
IFI	international financial institution
MfDR	managing for development results
NONIE	Network of Networks on Impact Evaluation
OE	Office of Evaluation
PBAS	performance-based allocation system
PDFF	Programme Development Financing Facility
POW	programme of work
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
RIDE	Report on IFAD's Development Effectiveness
RMF	Results Measurement Framework
SDC	Swiss Agency for Development and Cooperation
UNDP	United Nations Development Programme
UNEG	United Nations Evaluation Group
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Executive summary

1. The IFAD budgets for 2010 implement recommendations contained in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources (GC 32/L.5) and adopted by the Governing Council (resolution 154/XXXII). The recommendations relate to the presentation and management of IFAD's budgets and provide the platform for achievement of IFAD's Eighth Replenishment. The presentation and proposed management of the administrative budget mark the completion of the transition to results-based budgeting that was begun under the Action Plan with the adoption of results-based management. This transition was called for in both the Seventh and Eighth Replenishment consultations.
2. As of 2010, IFAD's resources will be allocated to, and its activities managed in, four major clusters of processes delivering IFAD's development and organizational results. These process clusters, and the corresponding desired corporate management results against which performance is measured, represent a further iteration of the matrix for results-based management adopted in 2006. Resources allocated to each cluster will be managed to achieve the corresponding operational or institutional results, with performance being recorded in the Report on IFAD's Development Effectiveness, which is presented to the Executive Board annually at its December session.
3. In accordance with the directions given in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources, IFAD's administrative budget for 2010 will combine expenditures previously budgeted under two mechanisms, the administrative budget and the Programme Development Financing Facility (PDFF), which will now be managed, integrated and reported on within one results-based budget. The business processes previously financed under the PDFF are intrinsically different from those traditionally financed under the administrative budget. This has been reflected in carry-forward facilities for budgets associated with processes different from the carry-forward facilities for the traditional administrative budget. It is proposed that carry-forward facilities for processes traditionally funded by the PDFF be applicable to the cluster budget in which those processes will be located in the integrated administrative budget.
4. IFAD's Eighth Replenishment objectives include both a major increase in the volume of assistance to be provided by IFAD and a further improvement in quality and results. Achieving these will require careful multi-year operational planning, with clear understandings on the availability of future budgetary resources. The 2010 programme of work (POW) and budget will involve authorization of an indicative annual POW and an administrative budget with a certain amount of flexibility – to respond to the demands of a highly volatile agricultural and food security environment. It will also provide a high-level projection of the POW and expenditures for the entire Eighth Replenishment period, to be used as a point of reference for planning and future budget discussions within the overall guidelines established in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources.
5. Within the multi-year plan for delivering a POW of US\$3 billion over the Eighth Replenishment period, the indicative POW for 2010 is projected as US\$800 million. As in the past, the actual POW for the year may vary according to the exigencies of the development context within a range compatible with the overall envelope for 2010-2012.
6. Within the planned build-up of capacity to achieve the Fund's expanded POW (at an average annual increase of 18.8 per cent) and impact targets, the integrated administrative budget for 2010 is projected to rise by 4.0 per cent in real terms. Among the four results clusters, the real budget increase is totally concentrated in cluster 1 – country programme development and implementation. All other clusters

will, in aggregate, operate on a zero-real-growth basis, notwithstanding the increase in activities in indirect support of country programme development and implementation. The nominal value of the projected total administrative budget will depend on anticipated inflation in staff and non-staff costs in 2010, as well as on the anticipated average exchange rate between the United States dollar and the euro.

Part one – High-level preview of IFAD's 2010 results-based programme of work and administrative and capital budgets

I. Introduction

1. IFAD enters into its planning for 2010 and beyond against the background of important external and internal changes. Externally the food price crisis is changing assumptions about agriculture and creating new configurations of interest and action in agricultural development and rural poverty reduction. Internally, IFAD has embarked on a new Presidency with a strong commitment to results and rationalization of effort – and to management realignment to achieve them. The year 2010 is also the first year of the Eighth Replenishment period, which IFAD enters with a strong mandate, expanded resources and a robust results measurement framework. This document seeks to map out some of the key dimensions of how IFAD intends to organize itself to achieve improved impact on rural poverty and food insecurity in this new context. It focuses on planning and managing for results, on creating the budget platform for greater effectiveness and efficiency, and on reaping the benefits of “working as one”. At mid-year, this inevitably represents work in progress and a basis for discussion – with the Executive Board, with external partners and with IFAD staff – laying the foundation for a complete proposal for IFAD’s programme of work and budget for endorsement by the Executive Board in December 2009.

II. High-level objectives for the Eighth Replenishment period

2. The dramatic food price crisis that unfolded in 2008, and the equally dramatic global economic downturn late in that year, highlighted the fact that increased food production and strengthening of the contribution made by smallholders in developing countries are concerns vital to the well-being of everyone. Implicit assumptions that agriculture would take care of itself in meeting growing global demand, and that continued rapid urban and industrial expansion would solve rural poverty, ran out of credibility almost simultaneously. For the first time in two decades, the issue of smallholders and agricultural development rose to the highest levels of the global economic and political agenda.
3. The self-evident crisis stimulated action on a broad front, including in the vital area of public- and private-sector investment in agriculture. The emerging understanding that the objective has to be not only **agricultural development**, but **agricultural development inclusive of smallholders and poor rural people** ensured that IFAD is looked to as a key collaborator in these efforts. IFAD possesses the capacity for rapid and experience-based response to the roots of the crisis, a capacity that many others had almost completely dismantled in the context of the secular fall in food prices that abruptly and spectacularly came to an end in 2008.
4. IFAD will respond directly through a 50 per cent increase in the volume of its loans and grants, and through a further increase in the quality of its programmes. Indirectly, it will stimulate increases in global assistance to agricultural development and rural poverty reduction – and provide models for how that increase can be effectively applied.
5. The quantitative expansion of IFAD’s development operations has been precisely defined by its Member States: a programme of work (POW) of loans and grants of

US\$3 billion in 2010-2012, compared with US\$2 billion in the Seventh Replenishment and US\$1.5 billion in the Sixth Replenishment (table 1). The Results Measurement Framework (RMF) 2010-2012 will equally precisely define expectations for quality improvements for: macro outcomes; country programme and project outcomes; country programme and project outputs; country programme and project management; and institutional management and efficiency.¹ Meeting these targets – for greater impact and greater efficiency – is IFAD’s strategic objective.

Table 1

Actual programme of work levels and targets in successive replenishments

(Millions of United States dollars)

	<i>Fifth Replenishment 2001-2003</i>	<i>Sixth Replenishment 2004-2006</i>	<i>Seventh Replenishment 2007-2009</i>	<i>Eighth Replenishment 2010-2012</i>
Programme of work	1 200	1 514	1 955	3 000

6. Achieving all the targets simultaneously – for volume, quality and efficiency – is a major task. The issue is not only the quantitative increase in the POW of loans and grants. Raising the quality of project design and implementation to achieve the proposed RMF targets for impact also poses an important challenge. By 2008 IFAD had already closely approximated or surpassed its ambitious quality/impact targets for 2010 (see section III. B). Raising the bar higher for 2012 means that IFAD must extend its performance gains to even the most difficult contexts: the most fragile states, the most vulnerable populations and the most marginal natural resource areas.
7. To achieve these ambitious development results, IFAD’s expenditure in the country programme area must rise, and, to ensure quality, this expenditure should be in the context of minimizing expansion in the number of projects. To allow for increased expenditure on country programme development and implementation, the back-office functions that make the front-end development activities possible must come under enormous pressure: to deliver more activities in support of front-end operations, while simultaneously containing expenditure to ensure that the front-end activities have the resources they need. This will require an effort in the back-office equivalent to the drive for volume and quality improvement in the front-end operations: streamlining activities, dropping low-value-added activities, and responding immediately to the needs of country operations. Most of all, it involves making IFAD work as one across the entire organization – a management challenge as much as a material challenge, and one that will be met by changes in management and structural realignment. These will include a decisive shift towards the cross-departmental planning and process improvement that is a corollary of the results-based approach to budgeting proposed for 2010.
8. IFAD’s budget is one of its most important management tools. The Eighth Replenishment Consultation concluded that IFAD’s budget structure and management must be changed to meet the results challenge. Correspondingly, IFAD’s annual programme of work and budget has been recast to be entirely focused on the results agenda for the Eighth Replenishment period, taking into account the experience of results and budget management in the Seventh Replenishment.

¹ IFAD’s Results Measurement Framework 2010-2012 (EB 2009/97/R.2). The Eighth Replenishment Consultation endorsed the approach proposed for the RMF for the Eighth Replenishment period and delegated approval of the final RMF to the Executive Board in September 2009.

III. Main elements of the reform of the budget to strengthen results and resource management

9. Governing Council resolution 154/XXXII approved the Report of the Consultation on the Eighth Replenishment of IFAD's Resources (for the period 2010-2012) and declared that it shall form the basis of the Fund's operations. The report stipulates that:

"IFAD will improve the organization and presentation of IFAD budgets in order to improve transparency and clarity, to facilitate greater comparability with the practices of other IFIs, and to incorporate evolving best practice in results-based budgeting. Specifically, IFAD management will engage with the Audit Committee of the Executive Board in order to ensure that the preparation of the budget for 2010 and subsequent years integrates the expenditures currently financed under the Programme Development Financing Facility (PDFF) fully into IFAD's administrative budget."²
10. This document presents IFAD's proposed implementation of these recommendations. It presents a results-based budget. It integrates the PDFF fully into IFAD's administrative budget. And it is consistent with the practices of other international financial institutions (IFIs).
11. IFAD has operated a results-based approach to management (managing for development results (MfDR)) since 2007. As previously described to the Executive Board,³ the MfDR system combines the high-level results specified in its corporate results framework (as articulated in the Action Plan for the Seventh Replenishment period) with specific corporate management results (CMRs) that provide a planning and management framework for focusing activities and resources. Progress against its results targets have been reported to the Executive Board on an annual basis since 2007 through the Report on IFAD's Development Effectiveness (RIDE).
12. IFAD introduced elements of results-based budgeting in the POW and budget for 2009, as the first step towards making results the basis of resource allocation and accountability. Nonetheless, the budget continued to be presented by department – rather than according to the corporate and inter-departmental organization of functions – and by funding source, with consequent limitations on demonstrating the purposes for which IFAD allocates its budget (in terms of real world change in rural poverty). Hence, IFAD's recurrent budgets for 2009 were presented in the format of table 2.

² Report of the Consultation on the Eighth Replenishment of IFAD's Resources (GC 32/L.5), paragraph 87.

³ For example, Programme of Work, Programme Development Financing Facility and Administrative and Capital Budgets of IFAD and of its Office of Evaluation for 2009 (EB 2008/95/R.2/Rev.1).

Table 2
Structure of IFAD's 2009 budget presentation
 (Millions of United States dollars)

<i>Budget heading</i>	<i>Amount</i>	<i>Percentage share</i>
Administrative budget	73.33	64%
Programme Development Financing Facility (PDFF)	41.98	36%
PDFF 'A' (new programme and grant development)	18.65	-
PDFF 'B' (ongoing programme and grant portfolio)	23.33	-
Total	115.31	100%

13. The Governing Council instructed IFAD to move towards systematically presenting its budget (and its operations) on a results basis. Results-based budgeting involves much more than presenting the budget in a results-based matrix. It involves building and managing the budget as an optimal platform for achieving the organization's objectives, including: aligning all resources with results; ensuring that accountability for resource use relates to achievement of the results; and establishing a balance between the scope of the results and the resources available to achieve them.

A. Aligning resources with results

14. The proposed results-based budget for 2010 builds on IFAD's MfDR and brings resource planning and monitoring into the results-oriented fold. In some respects, IFAD's MfDR system (anchored in what were originally seven key corporate management results) is more powerful than in many other organizations, because the 'core' programme it governs represents the overwhelming share of resources managed by IFAD (see section VIII on supplementary and complementary funds). In IFAD, in effect, there is one programme governed by one results management system, under one strategic framework. The consolidation of this unitary approach in results-based budgeting will require the integrated management of resources in one recurrent budget – hence the proposed consolidation of the administrative budget and PDFF into one comprehensive administrative budget.
15. Table 3 presents the four clusters of outcomes, business processes and CMRs that will provide the framework for IFAD's corporate planning, performance management, risk management and budgeting. The first and second clusters involve development impact at the country level and at the level of the global framework for supportive policy change and investment. These are IFAD's interfaces with processes impinging directly and indirectly on global rural poverty and are the outcome areas in which IFAD's contribution will be closely tracked by the RMF over the Eighth Replenishment period. The third cluster refers to the provision of an effective and efficient platform for corporate management and administration within IFAD to support its development operations. The fourth cluster refers to the support provided by IFAD to the Members of its governing bodies for the effective and efficient execution of their responsibilities.

Table 3
Outcomes, results and processes

<i>Cluster</i>	<i>Outcome</i>	<i>Corporate management result</i>	<i>Process</i>
<i>Operational</i>			
1	Effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction	CMR 1 – Better country programme management CMR 2 – Better project design (loans and grants) CMR 3 – Better supervision and implementation support	Country programme development and implementation
2	Supportive global resource mobilization and policy framework for rural poverty reduction	CMR 8 – Better inputs into global policy dialogues for rural poverty reduction CMR 10 – Increased mobilization of resources for rural poverty reduction	High-level policy dialogue, resource mobilization and strategic communication
<i>Institutional support</i>			
3	An effective and efficient management and institutional service platform at headquarters and in-country for achievement of operational results	CMR 4 – Better financial resource management CMR 5 – Better human resource management CMR 6 – Better results and risk management CMR 7 – better administrative efficiency and an enabling work and information-and-communications technology (ICT) environment	Corporate management, reform and administration
4	IFAD's governing bodies function effectively and efficiently	CMR 9 – Effective and efficient platform for Members' governance of IFAD	Support to Members' governance activities

16. For purposes of illustration, the combined approved administrative budget and PDF for 2009 is re-presented in table 4 in terms of alignment with these outcomes. Allocations to individual departments and divisions were re-aggregated according to their contribution to each outcome, providing a transparent connection between resources and results. This also constitutes the basis for changing budgets in the outcome clusters according to corporate result priorities. This re-presentation has applied the rules used for the allocation of expenditures in the budget for 2010.

Table 4
Retrospective classification of 2009 allocations under the administrative budget and PDFF

<i>Outcome</i>	<i>Corporate management result</i>	<i>Budget share in 2009 (millions of US dollars)</i>	<i>Budget share in 2009 (percentage)</i>
<i>Operational</i>			
Effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction	CMR 1 – Better country programme management CMR 2 – Better project design (loans and grants) CMR 3 – Better supervision and implementation support	65.89	57%
Supportive global resource mobilization and policy framework for rural poverty reduction	CMR 8 – Better inputs into global policy dialogue for rural poverty reduction CMR 10 – Increased mobilization of resources for rural poverty reduction	8.61	7%
<i>Institutional support</i>			
An effective and efficient management and institutional service platform at headquarters and in-country for achievement of operational results	CMR 4 – Better financial resource management CMR 5 – Better human resource management CMR 6 – Better results and risk management CMR 7 – Better administrative efficiency and an enabling work and ICT environment	29.68	26%
IFAD's governing bodies function effectively and efficiently	CMR 9 – Effective and efficient platform for Members' governance of IFAD	9.33	8%
Corporate costs	not applicable	1.80	2%
Total		115.31	100%

17. The numbers presented in table 4 are broadly in line with initial reporting on the alignment of results to resources presented in the POW and budget for 2009: approximately 64 per cent of recurrent budgets are used for operational purposes (57 per cent for the country programme level and 7 per cent for the global level); approximately 26 per cent for the management and administrative platform underlying operations; 8 per cent for support to the work of governing bodies; and 2 per cent for corporate costs.

Accountability for resource use

18. In results-based approaches, the key point of accountability in resource management is the results achieved through the application of resources, rather than conformity to detailed ex ante determinations of how resources are to be spent. Resources allocated

to the internal IFAD budget holders responsible for contributing to outcomes will be fungible among all activities contributing to the outcome: as the operational situation evolves, managers are given flexibility to use resources according to opportunities and the best combination of outputs to achieve the results. In the context of the increased level of volatility in agricultural markets and food security, this is an immediate operational necessity from a results point of view.

19. Departments and units will be accountable through the performance monitoring system implemented through the MfDR. Individuals will be accountable through the performance evaluation system, which maps contributions of individual work to CMRs. At the corporate level, IFAD is accountable for the use of its approved budget through the RIDE report to the Executive Board. Financial accountability will continue to be assured through reporting to governing bodies on actual budget expenditures, through IFAD's audited financial statements, and through its oversight and risk management mechanisms.

Comparability with other IFIs

20. The Governing Council urged comparability of IFAD budget practices with the practices of other IFIs. IFAD already implements International Financial Reporting Standards in its accounting. The business models of IFIs vary considerably. In budgeting, form must follow function, and thus the IFI budgets also vary considerably. Nonetheless, IFAD is unique in operating the PDFF: in other IFIs, on-budget recurrent expenditures in support of their core mandate activities are grouped under an administrative budget. In this regard, the proposed integration of the PDFF into the administrative budget of IFAD represents an important step towards alignment with budget practices in other IFIs.
21. Beyond this basic level, there are no common and uniformly applied classifications of the recurrent budget, and, with the exception of the African Development Bank (AfDB), which has also been undergoing an important institutional reform process, no other IFI has evolved significantly towards results-based budgeting – a process that has gained greater traction in the United Nations system, although even in the United Nations, application has not been uniform.⁴
22. IFAD proposes a results-oriented cost classification reflecting its business model and development priorities. An area of vital concern (because of its direct impact on the development results achieved) is the processes and expenditures directly involved in the production of country-level results – the country programme development and implementation processes in cluster 1 (see table 3 above). The definition of relevant activities and expenditures proposed for cluster 1 is limited to processes directly related to the project/programme cycle of development and implementation. For example, it includes the costs of consultants engaged in project work, but not the overhead costs of specialized human resource management staff engaged in the

⁴ The World Bank has a focus on "results and performance informed budgets rather than results based budgets". AfDB, through the African Development Fund (ADF) X (2005-2007) and ADF XI (2008-2010), has made efforts to measure and report operational results and instil results-based management throughout the institution. Through ADF X, it has recently adopted a results framework with specific performance indicators and targets, and results-based performance reporting through annual development effectiveness reviews. The United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF) and World Food Programme (WFP) (the executive committee of the United Nations Development Group), building on the harmonized results-based terminology system, have adopted a harmonized results-based budget. However, the structure of UNDP, UNFPA and UNICEF is based initially on a functional level, and then on a results-based framework. In fact, results-based budgeting within this harmonized budget is defined as a "results-driven budgeting process wherein resource justification is made for a set of expected results with indicators including baseline and targets to be achieved, presented by key functions". WFP has a results-based budget in which the operational budget is set against five strategic objectives, and the support budget is set against seven management objectives. The United Nations Office for Project Services has developed a results-based budget based on strategic outputs rather than functions.

recruitment and servicing of consultants or the information technology services used in headquarters and country-based project and programme operations. The strategy adopted is to identify a conservative definition and focus on managing the level of the related budget according to evolving priorities and demands. It follows the principle that there are always legitimate grounds for improving a definition, but tracking changes in resources against a stable and consistently applied definition is relatively straightforward. Similarly, IFAD has opted for a more process-oriented, functional identification of costs related to corporate management, reform and administration, specifically excluding the costs of supporting the work of the governing bodies, which is reported separately under cluster 4.

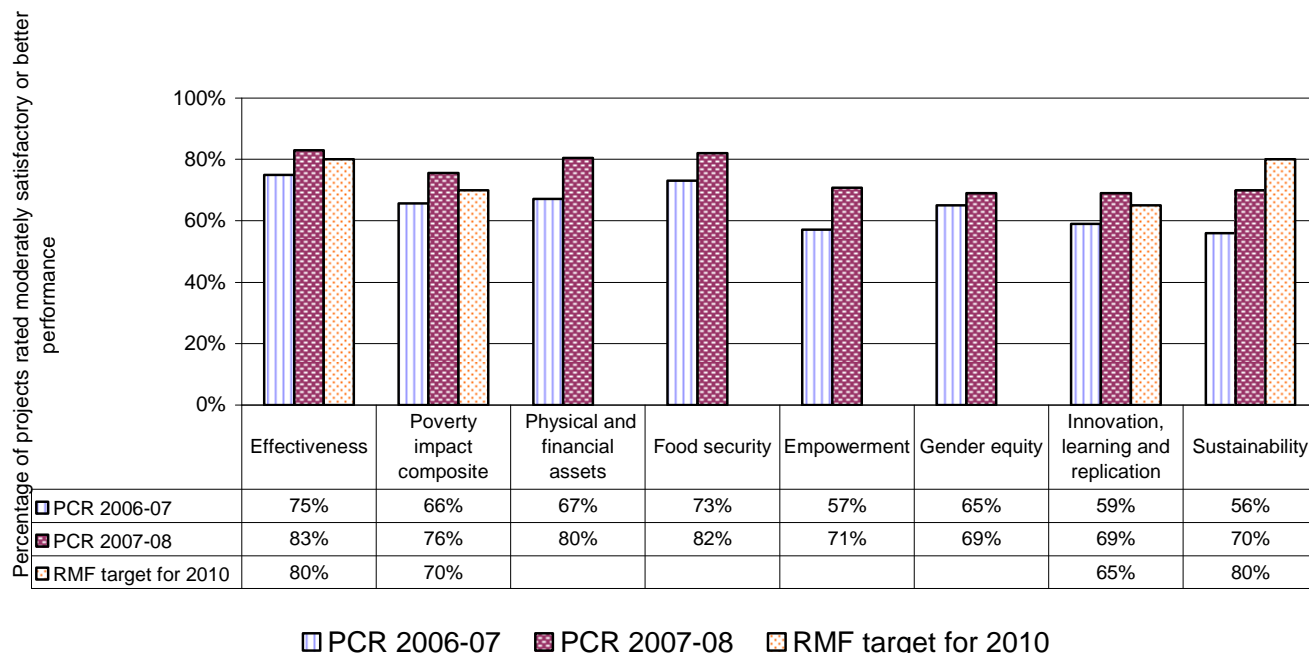
23. Other IFIs report on costs associated with support to governing bodies and also seek to differentiate between 'operational' and 'administrative' costs. However, the way these costs are defined varies (or is unclear), leaving little basis for direct comparison (for example, some assign overhead costs to operations, while others do not). In this regard, it should be recalled that fund operations of other multilateral development banks take advantage of many processes and infrastructures established to serve their market-based operations. Thus there is room for debate about administrative cost allocations, limiting the value of direct comparison with IFAD's more-easily identifiable costs.

B. Results and budget expenditure 2008-2009

24. Throughout the Seventh Replenishment period, IFAD operated within a formal agreement on raising the quality and level of its country programme operations, as well as within an understanding with the Executive Board on overall budget management.
25. It was agreed that IFAD should seek to raise its POW each year at an average rate of 10 per cent. Notwithstanding the commitment to quantitative expansion, in the context of the Independent External Evaluation (2005)⁵ the primary emphasis was on achievement of substantially higher quality development outputs (and impact), with progress being reported through both the Annual Report on Results and Impact of IFAD Operations (ARRI), produced by IFAD's independent Office of Evaluation (OE), and the RIDE report.

⁵ IFAD, An Independent External Evaluation of IFAD (Rome, 2005).

Performance of completed project portfolio against targets set in IFAD's Results Measurement Framework



Note: PCR = Project completion report.

26. The figure above, which is extracted in part from the RIDE report presented to the Executive Board in December 2008, demonstrates that the Fund has risen to this development results challenge. In three of the four results target areas (i.e. effectiveness; poverty impact composite; and innovation, learning and replication), by 2008 it had already surpassed the quality targets set to be achieved by 2010. Only in the area of sustainability was the target not reached or surpassed, but even here, progress had been very substantial, with good prospects for success by 2010. Progress had also been made against the four other reportable performance indicators that had no specific targets established in the Seventh Replenishment RMF.
27. With regard to overall resource and budget management parameters, the understanding was that:
- The programme of work should be increased by the maximum consistent with resource availability (estimated as 10 per cent annual growth).
 - IFAD's efficiency as measured by the efficiency ratio adopted by the Executive Board in December 2006⁶ should improve.
 - The proportion of IFAD's expenditures devoted to operational activities should rise (i.e. non-operational⁷ costs should be reduced as a percentage of total costs).

⁶ This ratio expresses the relationship between total recurrent costs (the aggregate administrative budget and PDFF) adjusted for exchange rate movements and the nominal value of the programme of work. In line with practice in the IFI community, the efficiency ratio adopted for the Eighth Replenishment RMF excludes the correction made in total recurrent costs for exchange rate movements.

⁷ The classification of costs adopted involved three elements: direct and indirect operational costs; corporate management and administrative support costs; and governance.

- The nominal level of PDFF operational costs should follow the evolution of the level of the programme of work of loans and grants.
- The administrative budget should be restricted as closely to zero real growth as is compatible with maintaining the resource management standards appropriate to an IFI.

28. Both the average 10 per cent increase in the POW, and the closely monitored improvement in the quality of development impact are being achieved in conformity with this agreement over the Seventh Replenishment period – in conjunction with a decrease in the administrative budget and an annual real increase in the PDFF equivalent to approximately half the rate of increase of the nominal POW. This has resulted in an improving efficiency ratio, the real extent of which is understated by the fact that the budgeted costs used in the ratio are not adjusted for IFAD's composite inflation factor (table 5).

Table 5

Budget and POW parameters in the Seventh Replenishment period
(Percentage)

	<i>2007 approved</i>	<i>2008 approved</i>	<i>2009 proposed</i>
Efficiency ratio ^a	16.80	16.30	15.76
Direct and indirect operational costs	57	61	64
Annual Increase in the PDFF (nominal/real)	10/5.3	13.9/8.8 ^b	9.4/5.1
Annual real increase in the administrative budget	0.2	(4.5)	(0.9)
Increase in the POW	10.0	10.0	9.3

^a The efficiency ratio measures nominal costs adjusted for foreign exchange movements but not for the composite inflation factor (estimated at 6.1 per cent in 2008 and 6.8 in 2009).

^b The higher level of increase in the PDFF in the 2008 budget reflected the integration of field presence costs into the PDFF, in the context of the conclusion of the pilot phase of the Field Presence Pilot Programme, hitherto financed off-budget on a special programme basis.

29. Given the ambitious targets for the quality and volume of the POW, on the one hand (including implementation of the growing portfolio of loans and grants), and efficiency-oriented budget constraints, on the other, the level of resource use has been high throughout the Seventh Replenishment period. Table 6 indicates that the administrative budget has been managed at near-100 per cent utilization (before end-of-year restatement of the budget to reflect exchange rate movements). Annual PDFF use actually exceeded the allocated level in 2007 (and probably would have in 2008 if accrual corrections were netted out) – on the basis of a significant reduction in the level of the PDFF carried forward from year to year relative to the first half of the decade.

Table 6
Budgeted and actual expenditures, 2007 and 2008
 (Thousands of United States dollars)

	2007	2008
Approved administrative budget before end-of-year restatement	67 491	72 305
Actual administrative budget expenditure	70 549	71 375
Carry forward after restatement ^a	1 238	2 276
Approved PDFF budget	33 800	38 781
Actual PDFF expenditure	35 465	37 601
PDFF carry forward	2 256	3 437

^a For a description of carry-forward management under the administrative budget and PDFF, see section VI.

30. In conclusion, during the Seventh Replenishment period IFAD delivered according to plan. Volume and quality results targets were met on the basis of a ratio of approximately 1:2 between the rate of real growth of the PDFF and the rate of nominal growth of the POW – an evolution made possible by strict containment of costs in other areas. As a note of caution, while welcoming the overall improvement in efficiency, and the demonstrably rigorous cost containment in the administrative area, members of the Audit Committee of the Executive Board have warned that further reduction in the absolute level of administrative costs should be approached very carefully, in the light of the jeopardy it may pose to maintaining the high standards of due diligence in resource management required of IFAD as a financial institution.

C. Indicative triennial resource framework (2010-2012) to support implementation of the plan

31. Achievement of the Eighth Replenishment objectives will require multi-year planning of: programme development⁸; strengthened staffing in the country programme area; infrastructure improvement; and preparation of the managerial and administrative support area to underpin a considerably increased volume of work. In turn, effective planning will depend on firmer expectations about resource availability than those enabled by the purely annual budget processes that IFAD has pursued in the past. Other IFIs⁹ and United Nations organizations have introduced medium-term perspectives into their budget management, and it is proposed that IFAD does the same as a first step towards an enabling environment for medium-term planning.
32. Other IFIs work on a medium-term resource planning basis. However, no IFI operates on the basis of an approved medium-term budget, although the budgets of many United Nations organizations are approved on a biennial basis. Most IFI medium-term budgets provide an indicative frame of reference for annual budget approvals, with a

⁸ The Eighth Replenishment period coincides with a new performance-based allocation system (PBAS) cycle. This offers an important opportunity for planning programme development and loan/DSF grant commitments for the period.

⁹ The World Bank has a three-year rolling framework, with annual indicative budget plans (Medium Term Strategy and Finance Paper); the Asian Development Bank has a three-year rolling framework, with an annual indicative budget (Work Programme and Budget Framework); the AfDB has a three-year rolling framework, without a separate document (Programme and Budget Document). UNDP has a quadrennial strategic plan (2008-2011), with a 2008-2009 biennial support budget and 2008-2011 programming arrangements to support the strategic plan. UNICEF has a Medium-Term Strategic Plan (MTSP) 2006-2009, with harmonized results-based budgeting, i.e. a biennial support budget for 2008-2009 with UNDP and UNFPA. The MTSP was extended until 2011. WFP has a Strategic Plan 2008-2011, which covers two successive biennia and is prepared every two years on a rolling basis.

relatively low level of precision and concreteness about future requirements.¹⁰ IFAD proposes to follow the same approach: to submit annual budgets – but within an indicative medium-term projected financial framework. IFAD’s ability to offer budgetary projections is different from that of other IFIs: on the one hand, the predictability of the level of operations **outside** the replenishment period is weak because of a high degree of dependence on replenishment-sourced funding; on the other, predictability is strong **within** each replenishment period for precisely the same reason. This situation allows IFAD to make relatively robust budget envelope projections for the medium-term, bounded by the period of the Eighth Replenishment.

33. The Eighth Replenishment agreement and the proposed RMF provide important points of reference for medium-term resource planning. They stipulate that IFAD should increase its POW, focus workforce resources on operations, and significantly increase its efficiency. Specifically:
 - The level of POW commitments should amount to US\$3 billion in 2010-2012.
 - IFAD’s efficiency ratio should be improved to 13.5 per cent by the end of 2012.
 - The percentage of the workforce in the programme area should be raised to 65 per cent by the end of 2010.
34. These stipulations are mutually consistent: the major increase in the POW compared with the Seventh Replenishment and the stringent quality and results targets embedded in the RMF for the Eighth Replenishment will require an important strengthening of capabilities in country programme and project management processes (cluster 1 of the outcomes-results-processes matrix). On the other hand, the expansion of the POW, within a commitment to only modest increases in the number of projects to deliver,¹¹ should allow IFAD to begin to benefit from some of the economy-of-scale effects enjoyed by much larger IFIs – and to move towards closing the perceived efficiency gap.
35. Taking these parameters into account, IFAD’s indicative medium-term projections for the POW and administrative budget (i.e. the integrated and comprehensive recurrent budget) are as indicated in table 7.

¹⁰ In part, this reflects the fact that the business volume of most IFIs is unpredictable, because of fluctuations in borrower demand for market-based operations.

¹¹ Report of the Consultation on the Eighth Replenishment of IFAD’s Resources (GC 32/L.5), paragraph 32.

Table 7
Indicative medium-term projections for the POW and administrative budget, 2010-2012
(Millions of United States dollars)

	<i>Programme of work and budgets</i>			
	<i>2009 approved</i>	<i>2010 proposed</i>	<i>2011 prediction</i>	<i>2012 prediction</i>
Annual programme of work	715	800	1 000	1 200
Total administrative budget	115.31	125.15	139.03	153.63
Nominal budget for country programme and project management processes (cluster 1)	65.89	73.35	83.16	93.43
Nominal aggregate budget for clusters 2, 3 and 4	47.62	49.98	53.50	57.28
Nominal budget for corporate cost centre ^a	1.80	1.82	2.37	2.92
Percentage of total budget in cluster 1 ^b	57.1%	58.6%	59.8%	60.8%
Real increase in total administrative budget	n/a	4.0%	6.5%	6.0%
Real increase in cluster 1 budget	n/a	7%	9%	8%
Real increase in aggregate budget for clusters 2, 3 and 4	n/a	0%	2%	2%

Note: n/a: not applicable

^a The positive growth in this area reflects a policy of charging all costs of depreciation of capital-budget financed expenditures to the corporate cost centre, rather than distributing them across all clusters (see paragraph 82).

^b Differences in real growth rates at the sub-budget level are rather weakly reflected in shares of the total budget. Cluster 1 has a high percentage of costs with a low inflator (i.e. non-staff), which means that inflation-adjusted nominal budgets have tended to mask the results of efforts to increase its real value.

36. Within the indicative triennial envelope, the annual programme of work may vary from these figures according to unanticipated needs, opportunities and priorities that arise in a highly volatile development context, just as the administrative budget may need to vary from the annual average projected to take account of capacity development and management issues. Nonetheless, in order to continue meeting its development targets and achieving its efficiency goals, the basic directions that IFAD should follow in its budgeting and budget management are clear:¹²
- (a) An average annual increase in the POW of 18.8 per cent to reach a total POW of US\$3 billion for 2010-2012;
 - (b) A consistent increase in the real budget for country programme and project management processes that deliver the rising POW: real growth of 7 per cent is

¹² The evolution of the International Development Association (IDA) programme of work and budget provides a useful comparator. During fiscal year 2006/07, IDA commitments rose at an annual rate of 13.1 per cent, while IDA expenses rose at an average annual rate of 8.8 per cent. In the same period, International Bank for Reconstruction and Development (IBRD) commitments rose at an annual average rate of 3.4 per cent, while IBRD administrative expenses grew by 2.1 per cent annually.

projected for 2010, rising slightly to 9 per cent in 2011 and 8 per cent in 2012 – following the expansion of the POW in those years;

- (c) Concentration of significant real growth in the budget in cluster 1, and zero (or very modest) real growth for all other clusters in aggregate;¹³ and
 - (d) Increasing efficiency as expressed in terms of the RMF measure of the ratio between the POW and the administrative budget to reach the target of 13.5 per cent.
37. These projections are purely indicative and serve as a point of reference for planning. Precise budgets will be prepared for approval on an annual basis. Nonetheless, flexibility is essential to maximizing results. While respecting strategic priorities and overall resource envelopes, resources should be available to meet challenges and opportunities in the right form and at the right time. Results-oriented management of annual budget allocations in the 2010-2012 period would allow greater intra-annual flexibility in resource use within cluster sub-budgets. However, there will be circumstances (e.g. a crisis requiring immediate and major responses) where needs arise that may exceed the scope of reallocation of resources within annual budgets. Correspondingly, it is proposed that IFAD implement a budget over-/under-shoot management mechanism similar to that implemented at the World Bank, i.e. that IFAD be allowed, in consultation with the Executive Board, to exceed or underspend its approved annual budget, provided that the sum total of its expenditures over the period 2010-2012 is consistent with the aggregate triennial budget projections presented in table 7 (above), duly adjusted for changes in inflation and exchange rates. The World Bank's flexible band is +2/-2 per cent, and it has been proposed that this be increased by 2 per cent to allow responses to anticipated crises.

IV. Indicative programme of work for 2010

38. The programme of work represents the resources that the Executive Board authorizes IFAD to withdraw annually from its regular resources to finance loans, Debt Sustainability Framework (DSF) grants, and grants covered by the IFAD Policy for Grant Financing.
39. The POW of loans and grants as a whole for the period 2010-2012 is US\$3 billion, 50 per cent higher than the POW for the Seventh Replenishment period. As in the past, IFAD proposes to commit these resources flexibly, within indicative annual programmes of work that may vary from the planned figures according to opportunity and the demands of loan and grant recipients, as articulated through their own priorities and development assistance programmes.
40. The overall framework for allocation of the POW to countries is IFAD's performance-based allocation system (PBAS). The IFAD Strategic Framework 2007-2010 (scheduled for review and revision in 2010) provides guidelines on what types of activities may be pursued at the country level within IFAD country strategies. These strategies are agreed with national governments and other local stakeholders (in line with the Accra Agenda for Action and local development assistance harmonization mechanisms) and articulated in the results-based country strategic opportunities programmes (COSOPs) discussed with the Executive Board.

¹³ Report of the Consultation on the Eighth Replenishment of IFAD's Resources (GC 32/L.5), paragraph 93.

41. Within the framework of the PBAS, Strategic Framework and country strategies – and subject to the caveat regarding flexibility – IFAD proposes an indicative POW of US\$748 million for loans and DSF grants in 2010, to be delivered through approximately 35-40 projects and programmes (tables 8 and 9). Compared with the average in the Seventh Replenishment period, this involves a significant increase in the average value of loans and DSF grants per project/programme in each country in which IFAD operates. The scale shift in loan/DSF grant size is intended to reflect the growing intensity of demand for IFAD assistance and the need to ensure that resources are husbanded to support further improvement in the quality of project development and implementation support. A potential countervailing trend, however, is declining demand for IFAD resources in some middle-income countries in which projects have been large – with IFAD loans shifting to lower-income and often small countries. An additional US\$52 million would be committed for grants through the global/regional and country-specific windows governed by IFAD’s grants policy (see paragraph 56(h) below).

Table 8
Indicative programme of work of loans and grants
(Millions of United States dollars)

	2008	2009 (mid-year)	2010
Loans and DSF grants planned	607.8	668.5	748
Loans and DSF grants actual	544.2	192.5	n/a
Grants planned	42.2	46.5	52
Grants actual	40.9	11.7	n/a

Note: n/a: not available

Table 9
Number of projects

	2008	2009 (mid-year)	2010
Projects planned	34	36	35
Projects approved	30	9	n/a

Note: n/a: not available

V. Total administrative budget for 2010 and policies for overall management and sub-allocation

42. The administrative budget authorizes IFAD to draw on its regular resources to finance elements of the annual recurrent costs of operations. The administrative budget is approved by the Governing Council after it has been endorsed by the Executive Board. Since approval of its establishment by the Executive Board in 2001, the PDFF authorizes IFAD to draw on its regular resources to finance a number of activities directly linked to design and implementation of the loans and grants through which the programme of work is delivered. The proposed administrative budget for 2010

encompasses, under one heading, expenditures that have previously been presented and approved separately under the administrative budget and the PDFF.

43. The integrated administrative budget is being developed against a background of: the proposed increase (11.9 per cent) in the programme of work for 2010; the need to invest in 2010 for an acceleration of the rate of increase of the POW in 2011 (projected at 25 per cent); the growing importance of support to project implementation; and the need to further improve project design to address the challenge of increasing the impact of projects in fragile states, very low-income countries and the often very marginal areas in which IFAD-supported projects operate. Thus it is proposed that the level of the integrated administrative budget for 2010 be 4.0 per cent higher in real terms compared with the combined value of the approved administrative budget and PDFF in 2009 (table 10). It is also proposed that the real increase be reserved for the achievement of the results and underlying processes in cluster 1 (country programme development and implementation), with other clusters being allocated budgets equivalent to zero real growth compared with 2009 (table 11).
44. The proposed level falls within the boundaries of the proposed indicative triennial financing framework, and is a step towards the achievement by 2012 of the effectiveness and efficiency results specified in the RMF.

Table 10

Proposed administrative budget for 2010

(Millions of United States dollars)

	<i>2009 approved budget at EUR/US\$ 0.79</i>	<i>2010 proposed budget at EUR/ US\$ 0.79</i>	<i>Percentage nominal increase</i>	<i>Composite inflation 2010</i>	<i>Percentage real increase</i>	<i>Real increase (millions of US dollars)</i>
Administrative budget	73.33					
PDFF	41.98					
Combined total	115.31	125.15	8.5 %	4.5%	4.0%	4.61

45. The integrated administrative budget proposed at the exchange rate of US\$1.00:0.79 euro (EUR) is US\$125.15 million, a nominal increase of 8.5 per cent. On the basis of the estimated composite inflation rate applicable to IFAD's administrative budget, this is equivalent to a real increase of 4.0 per cent.

Table 11
Cluster process budgets, 2010 and 2009 (remapped)
(Millions of United States dollars)

<i>Cluster</i>	<i>2009</i>	<i>2010</i>	<i>Percentage nominal change</i>	<i>Percentage real change^a</i>
1. Country programme development and implementation	65.89	73.35	11.3%	7.0%
2. High-level policy dialogue, resource mobilization and strategic communication	8.61	9.10	5.7%	0.0%
3. Corporate management, reform and administration	29.68	31.04	4.6%	0.0%
4. Support to Members' governance activities	9.33	9.84	5.5%	0.0%
Corporate cost centre	1.80	1.82	1.1%	0.0%
Total	115.31	125.15	8.5%	4.0%

^a The real change is the nominal change minus the composite cost inflation for the cluster. Because the mix between staff and non-staff costs varies among clusters, and because the estimated inflation rates for these two sets of costs are different, the composite inflation rate differs among clusters.

A. Results cluster priorities and resources

46. In 2010, results planning and management and resource allocation in IFAD will be on a results-cluster basis – with subsequent allocations to IFAD's organizational units on the basis of their participation in the processes that generate the cluster results. This is designed to focus attention on results, on inter-group collaboration in processes, and on resource optimization on the basis of a clear and complementary division of labour among units: the working-as-one agenda.
47. The four results clusters cover all of IFAD's activities and all of its annual budgetary resources, net of those included in the corporate cost centre budget line. The country programme development and implementation cluster (cluster 1) covers IFAD's front-line engagement with country-level agricultural development and poverty reduction processes, at the heart of which is the programme of work and portfolio of loans and grants. The high-level policy dialogue, resource mobilization and strategic communication cluster (cluster 2) covers IFAD's work in capitalizing on its experience and knowledge to strengthen international policy dialogue and resource mobilization for agricultural development, food security and poverty reduction. The corporate management, reform and administration cluster (cluster 3) provides the framework for results-oriented, effective financial and workforce management, reporting and accountability; the working environment and ICT infrastructure; and many of the services needed for front-end work to take place. The cluster of support to Members' governance activities (cluster 4) covers the key function of ensuring that Members of IFAD's governing bodies are provided with a solid, cost-effective platform for discharging their responsibilities.

Results cluster 1: Country programme development and implementation

Outcome: Effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction

48. Country programme development and implementation processes were among the principal areas reformed during the Seventh Replenishment period under the Action Plan. Key elements of these changes included:
- Improved country programme planning, alignment and harmonization (under the Paris and Accra agendas¹⁴) through the adoption of results-based COSOPs);
 - Improved project design through strengthened quality enhancement and a new arms-length quality assurance system;
 - Internalization of project supervision through the implementation of direct supervision and upgrading the supervision skills of IFAD staff;
 - Expanded country presence, including the outposting of country programme managers.
49. Cluster 1 involves the processes most directly involved in optimizing the results of IFAD's POW and portfolio of loans and grants through delivery of three front-line corporate management results: CMR 1 – Better country programme management, CMR 2 – Better project design (loans and grants), and CMR 3 – Better supervision and implementation support. Cluster 1 will absorb the largest share of IFAD's administrative budget, and is the only cluster for which a real increase in budget is proposed (7 per cent – table 12).

Table 12

Projected resource allocation to country programme development and implementation (Millions of United States dollars)

	2009	2010	Percentage change	Percentage real change
Cluster 1 processes – budget	65.89	73.35	11.3%	7.0%
Cluster 1 processes – share of total integrated administrative budget	57.1%	58.6%	1.5%	

50. In quantitative terms, a projected 13 COSOPs will be discussed with the Executive Board, ensuring that all major country portfolios and targeted fragile states are covered by fully developed and discussed country strategies (which play a key role in CMR 1).
51. A projected 35-40 projects and programmes will be presented to the Executive Board to deliver the expanded programme of work in 2010. CMR 2 is dedicated to ensuring that their design is of high quality through, inter alia, the quality enhancement and arms-length quality assurance systems established under the Action Plan. Given the volatile conditions, and the correspondingly high rates of slippage, it is estimated that over 50 projects may need to be developed to ensure that the level of loan and DSF grant commitments reaches the targeted level.

¹⁴ High Level Forum on Aid Effectiveness, Paris Declaration on Aid Effectiveness (Paris, France, 2 March 2005) and Accra Agenda for Action (Accra, Ghana, 2-4 September 2008).

52. Two relative innovations in IFAD's operations and management are vital to IFAD's development impact: direct supervision (which relates to CMR 3) and country presence (which supports CMRs 1-3).

Implementation support and supervision in 2010

53. At 1 June 2009, 252 projects financed in whole or part by IFAD were either under or awaiting implementation (compared with 240 at the end of 2007 and 246 in 2008). Of the projects actually under implementation (214), 172 were under direct supervision, up from only 42 at the end of 2007 (table 13). By 1 June 2009, the total value of IFAD loans and DSF grants for projects under or awaiting implementation had risen to US\$4.3 billion (table 14), driving a rising trend in disbursements (table 15). Although the number of projects under implementation is not expected to rise significantly in 2010, the proportion of directly supervised projects will rise, within a strategy of putting all IFAD-financed projects (except cofinanced ones) under direct supervision by 2012. Notwithstanding the limited quantitative expansion of the portfolio, the critical contribution made by project implementation support to improved project performance and impact dictates that it will continue to increase in importance in resource use, particularly as the challenge of quality in difficult contexts is squarely addressed.

Table 13

Number of approved projects under or awaiting implementation

	<i>end 2007</i>	<i>end 2008</i>	<i>1 June 2009</i>
Under implementation	196	204	214
Awaiting implementation	44	42	38
Total	240	246	252
IFAD supervision	42	158	172
Cooperating institution supervision	154	46	42

Table 14

Value of approved loans and DSF grants for projects under or awaiting implementation (Millions of United States dollars)

	<i>end 2007</i>	<i>end 2008</i>	<i>1 June 2009</i>
Value of projects under implementation	3 192	3 408	3 621
Value of projects awaiting implementation	760	738	676
Total	3 952	4 146	4 297

Table 15

Loan and grant disbursements (Millions of United States dollars)

	<i>2007</i>	<i>2008</i>	<i>1 June 2009</i>
Resources disbursed	436.7	472.8	171.8

Country presence

54. Although accounting for only a modest proportion of IFAD's expenditures for project development and implementation (estimated at 7 per cent of the re-presented cluster 1 budget for 2009 [table 4 above], country presence has become one of the keystones of IFAD's development effectiveness, underpinning the following improvements: IFAD's engagement in aid alignment and harmonization at the country level; country-level policy dialogue and programming; project development; and project implementation support.
55. IFAD is implementing a significant expansion of country presence in 2009 (from 17 to 27), including increased outposting of country programme managers and the first outposting of a technical specialist (to Kenya). Only a very small further expansion is proposed for 2010, involving three countries that are yet to be determined (table 16).

Table 16
Country presence arrangements

	2007	2008	2009 (planned)	2010 (planned)
	Bolivia (Plurinational State of) China Democratic Republic of the Congo Egypt Ethiopia Haiti India Nicaragua Nigeria Senegal Sudan Uganda United Republic of Tanzania ^a Viet Nam ^a Yemen	Bolivia (Plurinational State of)/Peru Brazil China/Mongolia Colombia ^a Democratic Republic of the Congo Egypt Ethiopia Haiti India Kenya Nigeria Panama ^a Senegal Sudan United Republic of Tanzania ^a Viet Nam ^a Yemen	Peru Brazil Burkina Faso China/Mongolia Colombia ^a Democratic Republic of the Congo Egypt Ethiopia ^a Ghana ^a Guinea Haiti India Kenya ^a Madagascar Mozambique Nepal Nigeria Pakistan ^a Panama ^a Rwanda Senegal ^a Sri Lanka ^a Sudan ^a Uganda United Republic of Tanzania ^a Viet Nam ^a Yemen	Peru Brazil Burkina Faso China/Mongolia Colombia ^a Democratic Republic of the Congo Egypt Ethiopia ^a Ghana ^a Guinea Haiti India Kenya ^{a,b} Madagascar Mozambique Nepal Nigeria Pakistan ^a Panama ^a Rwanda Senegal ^a Sri Lanka ^a Sudan ^a Uganda United Republic of Tanzania ^a Viet Nam ^a Yemen Country A Country B Country C
Total	15	17	27	30

^a Managed by outposted country programme managers.

^b The Kenya office will host an outposted country programme manager and an outposted land expert.

Improving process quality

56. Against the background of these new mechanisms and the positive results for development effectiveness that have accompanied them, key cluster 1 objectives involve deepening of reforms already adopted:
- (a) Ensuring – through review and revision of IFAD's Strategic Framework – that operations are managed under an overall set of high-level policy guidelines that

is able to provide robust and relevant guidance within a very rapidly changing natural, economic, political and institutional environment;

- (b) Improving knowledge management and communication capacities to capture and share innovation and strengthen technical and policy dialogue with internal and external partners;
 - (c) Putting the country presence programme on a firm corporate management basis (see results cluster 3 below) within a clear and explicit perspective on the development benefits and costs of each operation;
 - (d) Strengthening country programme management and project design support for scaling up;
 - (e) Strengthening direct supervision results on the basis of: a clearer, more integrated and streamlined approach to the division of labour and collaboration across the diverse IFAD units involved (paying particular attention to adequate support for fiduciary responsibilities); improved corporate management and oversight of the supervision process, including strengthened performance reporting and the introduction of more arms-length assessments of supervision performance; and a further upgrading of staff skills in areas bearing on the supervision process as a whole;
 - (f) Improving the accountability of IFAD to its country-level partners through a more systematic process of in-country validation of country programme performance and direction;
 - (g) Improving performance in project sustainability through national capacity development, stronger international partnerships (building on the wave of re-engagement with agriculture) and engagement with the private sector; and
 - (h) Reshaping the grants programme to be more strategically oriented to support the results of country programmes, within more cost-effective systems of grant development, supervision and administration.
57. Cluster 1 is the only cluster in which an expansion of workforce is envisaged (not excluding the possibility of workforce reallocations among clusters 2, 3 and 4). It is estimated that there will be an expansion of approximately 7 per cent in the workforce in cluster 1: to a limited extent at headquarters, but principally in the country presence programme, where lower costs also allow for highly cost-effective workforce mobilization. Recruitment will focus on professional staff. The increased staffing level will provide for, inter alia: intensification of supervision to raise project impact in the poorest-performing sectors of the portfolio; closer in-country collaboration with governments and other development partners; and strengthening of technical inputs into project design.
58. Notwithstanding the increase in the real budget for the cluster, the challenging quantitative and qualitative targets set in the RMF in 2010 and beyond emphasize efficiency and the elimination of redundant expenditure in country programme development and implementation processes. The strategic workforce planning process is expected to contribute decisively by reducing replication and redundancies across divisions and departments through improved coordination and collaboration.

Results cluster 2: High-level policy dialogue, resource mobilization and strategic communication

Outcome: Supportive global resource mobilization and policy framework for rural poverty reduction

59. IFAD aims to have a broad impact on food insecurity and rural poverty through an effective and efficient portfolio of projects and grants (principally under-pinned by cluster 1 processes). Moreover, the portfolio will be supported by a well-targeted engagement in international policy and resource mobilization processes. This will draw on IFAD's operational experience and analysis to stimulate development of a broader international understanding of the key issues in improving food production, food security and income among poor rural people. Thus cluster 2 processes exploit the knowledge developed in cluster 1 processes, and inject it into key external policy and finance processes. While the resources devoted to this cluster are relatively modest (table 17), they draw heavily on inputs from other areas of the organization's work.

Table 17

Projected resource allocation to high-level policy dialogue, resource mobilization and strategic communication

(Millions of United States dollars)

	2009	2010	Percentage change	Percentage real change
Cluster 2 processes – budget	8.61	9.10	5.7%	0.0%
Cluster 2 processes – share of total integrated administrative budget	7.5%	7.3%	(0.2)%	

60. The food price crisis that unfolded in 2008 generated unprecedented national and international concern to accelerate agricultural development and strengthen the smallholder position within it. Cluster 2 processes will address this international thirst for better direction of agricultural policy and investment, and will support the mobilization and channelling of assistance for agricultural development and smallholder production (including through scaling up). Specifically, the cluster is focused on achieving better inputs into global policy dialogue for rural poverty reduction (CMR 8) and increased mobilization of resources for rural poverty reduction (CMR 10).
61. A key objective is to achieve more-widespread understanding by key national and international policymakers of the central role of smallholder farmers and rural entrepreneurs in achieving global food security, overcoming rural poverty, and conserving the natural resource base. The Fund will advocate priority attention to these groups in international agreements and national development and food security strategies, and increased investment for their benefit.
62. Work in cluster 2 will focus on thematic priorities solidly based in IFAD's operational experience and knowledge, seeking to establish the Fund as a leading voice on these themes within the international policy arena – and as a champion of increased investment in pro-poor agriculture and rural development. It will seek to add value to international policy dialogue by contributing knowledge, experience and insight arising from IFAD-supported programmes, and by bringing the point of view of smallholder farmers and poor agriculturalists to bear on such deliberations. In particular, it will seek favourable investment, policies and actions for these groups in the areas of its Strategic Framework, including natural resources and market access.

63. Thematic priorities for the 2010–2012 period include: effective policies and increased investment in food security, poverty reduction and pro-poor agriculture and rural development; climate change and pro-poor governance of land and natural resources; market access and trade regulations; and gender equality and the rights of indigenous peoples.
64. In its international policy engagement, the Fund will work in collaboration with others, including Member States, organizations of poor rural people and other development agencies. It will continue to invest in strengthening the capacity of poor peoples' organizations to engage effectively in international and regional policymaking processes.
65. The Fund's international engagement will include advocacy for increases in official development assistance, including support for the High-level Task Force on the Global Food Security Crisis (the secretariat of which is housed at IFAD). It will also include deliberations on IFAD's Eighth and Ninth Replenishments, as well as increased collaboration with foundations and private-sector entities. Given the importance of supplementary funds in expanding the range of support that other IFIs can provide for special development issues (e.g. national and local capacity-building and the management of development activities in fragile states), IFAD will also review its approach to supplementary funding. The review will include options in the organization of such funds (e.g. the multi-donor trust fund approach adopted by the World Bank), given the difficulties experienced by all IFIs in managing small and fragmented funds on a cost-effective basis.
66. The opportunities for IFAD to engage in meaningful support to international agricultural development policy and resource mobilization – and the underlying demand – expanded dramatically in 2009, and are not expected to diminish in 2010. Under the zero-real-growth policy for the budget of cluster 2,¹⁵ IFAD will emphasize:
- (a) Fewer, but more strategic and intense engagements in thematic areas and forums to which IFAD can add material and recognized value;
 - (b) Strategic partnerships in areas where IFAD has significant knowledge/analysis gaps; and
 - (c) Interdepartmental processes and mechanisms for agreeing on thematic issue priorities and developing, implementing, monitoring and assessing advocacy strategies – drawing as much as possible on resources across the organization in areas of common engagement.

Results cluster 3: Corporate management, reform and administration

Outcome: An effective and efficient institutional service platform for achievement of operational results

67. Reaching and sustaining IFAD's quantitative and qualitative development targets, while also improving its overall efficiency, will require very effective management of financial and human resources across the organization. The principal objectives of cluster 3 are: better results and risk management (CMR 6); better financial resource management (CMR 4); better human resource management (CMR 5); and better administrative efficiency and an enabling work and ICT environment (CMR 7). The activity level of this cluster will rise as the programme of work expands, but the budgetary allocation to the cluster will experience zero real growth (table 18).

¹⁵ The budget policy for 2010 puts the aggregate budget allocations to clusters 2, 3 and 4 on a zero-real-growth basis. The work of realignment of resources within this aggregate envelope is ongoing, and all budget figures for these clusters are provisional.

Table 18
Projected resource allocation to corporate management, reform and administration
(Millions of United States dollars)

	2009	2010	Percentage change	Percentage real change
Cluster 3 processes – budget	29.68	31.04	4.6%	0.0%
Cluster 3 processes – share of total integrated administrative budget	25.7%	24.8%	(0.9)%	

68. The improvements indicated in the CMRs must be achieved across the entire organization, but the groups engaged in supporting this change are principally concentrated in the dedicated finance and administration areas – as supporters of, and drivers for, more cost-effective operations in IFAD as a whole, but also as major cost and service centres in their own right. As indicated in table 18, this cluster will operate on a zero-real-growth budget in 2010.
69. Work under cluster 3 will proceed along two lines: (i) addressing the specific management framework and support needs of country programme development and implementation, and (ii) strengthening the general level of management, while reducing the unit costs of administrative transactions.
70. Indirect support to cluster 1 processes includes:
- (a) Providing an efficient and effective corporate framework for the operation of IFAD’s decentralization programme and country presence, including:
 - (i) Establishment of adequate in-country legal, security and physical conditions for the work of decentralized staff;
 - (ii) A relevant and responsive system for the recruitment, contracting, management and development of country presence staff – on the basis of “one IFAD – one workforce”;
 - (iii) A streamlined ICT-based process for consultant recruitment and management (consultants are principally used in cluster 1);
 - (iv) A robust and relevant framework for decentralized planning, performance management and resource use, anchored in corporate systems; and
 - (v) ICT tools for managing programme development, implementation data and knowledge exchange, including access of decentralized staff to corporate knowledge and management systems.
 - (b) Developing new financial products and terms to support the differentiation of programme approaches to diverse development contexts (e.g. middle-income countries and fragile states).
71. The key measures for better results and risk management (CMR 6) will be:
- (a) Giving greater coherence and integration to planning and performance management through the introduction of corporate medium-term planning on the basis of results clusters and their corresponding CMRs – promoting interdepartmental/divisional coordination under the rubric of working as one;
 - (b) Making the risk management system (identification and mitigation) a pillar of corporate management, including management of internal coordination and alignment issues – with robust internal controls over financial reporting; and

- (c) Implementing a comprehensive business continuity plan and infrastructure.
72. The key measures for better financial resource management (CMR 4) will be:
- (a) Implementing changes in IFAD's investment policy on the basis of the 2009 investment policy review, and strengthening financial asset risk monitoring and management, including revision of IFAD's liquidity policy;
 - (b) Increasing the reliability and efficiency of loan and grant payments through the implementation of a modern ICT-based loans and grants system; and
 - (c) Integrating supplementary fund and capital budget management into corporate results-based budgeting.
73. The key measures for better human resource management (CMR 5) will be:
- (a) Implementing strategic workforce planning as the counterpart of results-based financial planning, providing a platform for staff deployment on the basis of satisfying corporate needs on a minimum-necessary-cost basis, within an interdivisional and interdepartmental approach to the management of human resources;
 - (b) Realizing the accelerated programme of recruitment, deployment and separation needed to operationalize the strategic workforce plan; and
 - (c) Applying the human resource reform programme approved by the Executive Board, including the Voluntary Separation Programme, learning and development, and performance management.
74. The key contributions to better administrative efficiency and an enabling work and ICT environment (CMR 7) must focus on efficiency in IFAD's high labour-unit-cost regime. They will include:
- (a) Identifying existing services that may be scaled back or discontinued;
 - (b) Reviewing, redesigning and streamlining staff-intensive processes, and examining outsourcing/off-shoring options;
 - (c) Improving the ICT platform to reduce the manual component of processes (for example, in financial and human resource transaction processing);
 - (d) Developing and using inter-agency collaboration more aggressively (for example, in procurement and resource management); and
 - (e) Ensuring fuller and more-effective use of physical infrastructure.
75. Improving resource use, both financial and human, is critical to raising IFAD's efficiency and to ensuring IFAD's capacity to deliver its significantly expanded results, not least because of zero-growth budget conditions in clusters 2, 3 and 4. The development and implementation of a corporate medium-term plan (2010-2012) and the related strategic workforce plan under the working-as-one initiative will be of fundamental importance. Both will contribute to reducing process redundancy and replication.

Results cluster 4: Support to Members' governance activities

Outcome: IFAD's governing bodies function effectively and efficiently

76. IFAD's governing bodies include diverse experts from the fields of finance, development cooperation, foreign affairs, science, agriculture and other technical subjects important to IFAD's activities. Members of IFAD's governing bodies are internationally and linguistically diverse and include representatives from technical ministries and other government offices, while observers range from other United Nations organizations and agencies, to other organizations whose work parallels that of IFAD's.
77. The governing bodies play an essential role in supporting IFAD's primary activities, mainly its operations, its founding and support of international policy dialogue, resource mobilization, agricultural development and rural poverty reduction.
78. Given the role the governing bodies play, IFAD has established an administrative budget (table 19) to ensure that they may play this role effectively and efficiently. This is part of IFAD's results-based management system and is aligned with CMR 9, which was introduced into planning for 2010.

Table 19

Projected resource allocation to support to members' governance activities

(Millions of United States dollars)

	2009	2010	Percentage change	Percentage real change
Cluster 4 processes – budget	9.33	9.84	5.5%	0.0%
Cluster 4 processes – share of total integrated administrative budget	8.1%	7.9%	(0.2)%	

79. This administrative budget enables IFAD to support the governing bodies and achieve this cluster's objectives, mainly:
- That representatives of Member States are provided relevant and comprehensive background information to ensure that their expertise may best be used to support IFAD's primary activities;
 - That efficient and cost-effective processes are in place to prepare and conduct governing body meetings, including the use of technology-based tools and platforms to enable all parties to share information and effectively communicate key issues; and
 - That IFAD provides active, regular and responsive support to Member States' needs, including but not limited to the relationships they create with both Rome-based and other government officials.
80. While this cluster's objectives will be achieved on an ongoing basis, IFAD will provide some immediate deliverables for 2010:
- Continue to provide a comprehensive induction programme for Executive Board directors, while ensuring continual improvement based on best practices, lessons learned and Executive Board Directors' stated needs;
 - Provide a web-based interactive platform for Member State representatives to share information and effectively communicate key issues;

- (c) Provide opportunities and activities to encourage and support the engagement of representatives of Member States not sitting on the Executive Board and officials of select non-Member States;
 - (d) Create effective contact lists and detailed contact databases to facilitate stronger relationships among all parties and to engage emerging donor countries;
 - (e) Contribute to preparations of the 2011 mid-term review of IFAD's Eighth Replenishment; and
 - (f) Review the structure of the Governing Council overall to determine additional recommendations that will strengthen these and other forums and thus promote effective and cost-effective information-sharing among all parties capable of advancing IFAD's mandate.
81. IFAD's ability to achieve cluster 4 objectives and deliverables under zero-growth budget conditions will be conditioned by the anticipated expanded workload in the area (reflecting the increased programme of work and innovations such as the mid-term review of the Eighth Replenishment). Key elements will be the further rationalization of the management of new workflows and implementation of the improved ICT platform for document management provided for under IFAD's 2009 capital budget.

Corporate cost centre

82. Under the administrative budget, IFAD has maintained a corporate cost centre to cover expenditures that respond to corporate obligations not easily allocable to any particular department or cluster as an annual operating cost. Items included are: costs of the After-Service Medical Coverage Scheme; depreciation charges to the administrative budget arising from capital expenditures authorized under the capital budget; external audit fees; maternity/paternity leave; and contingency. The allocation to this cost centre in 2010 is US\$1.82 million.

B. Planned human resource allocations

83. The single most important expenditure across all results clusters will be on the workforce of staff and consultants. Their performance and effective management is the key to achieving IFAD's results.
84. Human resource management reform was a vital component of IFAD's Action Plan, and progress has been reported regularly to the Executive Board. A major part of the work to date has been creation of the enabling environment for effective workforce planning and management (for example, introduction of the "job family" approach to classification, improved staff performance management, training,¹⁶ and support for recruitment, rotation and development of staff). In 2010 strategic workforce planning and management will become a core corporate practice, equivalent to the corporate approach to financial resource management.
85. The proposed RMF for the Eighth Replenishment includes a target for the proportion of IFAD's total workforce engaged in programme development and support capacities. Specifically, the RMF indicator refers to the percentage of the workforce in programmes, which IFAD will take to refer to the percentage of the workforce of staff and consultants engaged in country programme development and implementation (cluster 1). Currently, there are issues involved in very precise reporting on consultant days worked, which are being addressed in a capital budget-based project for rationalization of the administration of consultants. Until the new instruments

¹⁶ In 2009 the costs of training charged to the administrative budget and the PDFF (i.e. exclusive of training under the Action Plan) amounted to US\$1.17 million. The same level of real spending is planned for 2010.

developed under that project are fully operational at the beginning of the Eighth Replenishment period, IFAD will use the percentage of the total expenditure on workforce engaged in cluster 1 as a proxy for the RMF indicator. In 2010 the proportion of total expenditures on workforce under cluster 1 is projected as 62 per cent (table 20). The increase in nominal workforce costs outside of cluster 1 is entirely driven by price increases: no real expansion is envisaged for the allocation for staffing in these areas.

Table 20
Expenditure on workforce
(Millions of United States dollars)

	2008 (actual)	2009 (estimated)	2010 (projected)
Expenditure on workforce in cluster 1	44.05	56.74	63.40
Expenditure on workforce in other clusters	36.72	36.61	38.97
Total expenditure on workforce	80.77	93.35	102.37
Percentage of expenditure on workforce engaged in cluster 1	55%	61%	62%

C. 2010 budget by department

86. The cost principles of IFAD's results-based budgeting in 2010 are that: results are set at the corporate level through a horizontal process of consultation among all departments; and resources are allocated according to the estimated requirements of the processes that deliver the results. Subsequently, the resources allocated to each cluster will be sub-allocated to departments and divisions according to their participation in corporate processes. Table 21 indicates the estimated allocations to each department. The significant real increase in the Programme Management Department reflects responsibility for many of the key processes of cluster 1. Other departments and offices receive much lower real increases according to their lower level of responsibility for cluster 1 processes.

Table 21
Estimated budget allocations by department
(Millions of United States dollars)

Department	2009	2010	Nominal change (%)	Real change (%)
Programme Management Department	60.67	67.44	11.2%	7.0%
Finance and Administration Department	28.51	29.91	4.9%	0.3%
External Affairs Department	17.93	19.06	6.3%	0.7%
Office of the President and Vice-President	6.40	6.92	8.1%	2.2%
Corporate	1.80	1.82	1.1%	0.0%
Total	115.31	125.15	8.5%	4.0%

87. As noted above, the cluster 1 budget is the only cluster budget that will receive a real increase. Table 22 describes the share of each department in this increase.

Table 22
Allocation of the real increase for 2010 in the results cluster 1 budget

Department	Real increase	
	Millions of US dollars	Percentage increase
Programme Management Department	4.25	92.2%
Finance and Administration Department	0.09	2.0%
External Affairs Department	0.13	2.8%
Office of the President and Vice-President	0.14	3.0%
Total	4.61	100.0%

VI. Budget management issues arising from the integration of the PDFF into the administrative budget

88. The Governing Council authorized IFAD¹⁷ to carry forward unobligated appropriations from the existing administrative budget not exceeding 3 per cent of the approved budget against which the surplus is registered. Under the tight budget conditions in which IFAD has operated throughout the Seventh Replenishment period, this carry forward has principally reflected a surplus related to the end-of-year restatement of the administrative budget to reflect exchange rate fluctuations (table 23), rather than as underspending relative to plans. The majority of administrative budget expenditures are made in a currency other than the currency of the budget, that is, in euro rather than in United States dollars.

Table 23
Resources available under the administrative budget carry-forward facility: before and after restatement of the budget to reflect exchange rate fluctuations
(Thousands of United States dollars)

	2006	2007	2008
Before restatement	905	(3 058)	930
After restatement and carried forward	2 256	1 238	2 276

89. The PDFF, which will be integrated into the new, comprehensive IFAD administrative budget in 2010, has been managed differently and under separate authorization. The PDFF was established¹⁸ in 2001 to fund the entire multi-year project cycle and was created as a 'financing facility' to support the project development process. It merged services previously financed from the POW with some project-related expenditures that were hitherto included in the administrative budget (e.g. appraisal, cooperating institution, supervision/follow up of loans/grants and project completion). The POW-financed services (as a grant for services to Member States) were for aspects of project preparation, environmental assessment, the special operations facility, accelerated project performance and other project implementation support held to be the responsibility of the borrower.

¹⁷ Governing Council resolution 133/XXVII (February 2004).

¹⁸ Governing Council resolution 124/XXIV (February 2001).

90. Like the administrative budget, the PDFF, which is approved by the Executive Board, is financed directly from IFAD's regular resources. And again, like the administrative budget, resources from the annual approved PDFF budget may be carried forward (table 24). Unlike the administrative budget, however, the PDFF was established to support commitments against the entire multi-year project cycle, with no annual cap on the PDFF carry forward, thereby providing a basis for the subsequent management of country allocations over the three-year PBAS cycle.

Table 24
PDFF carry forward
 (Thousands of United States dollars)

	<i>end 2006</i>	<i>end 2007</i>	<i>end 2008</i>
Carry forward ^a	3 927	2 256	3 437
Percentage of approved PDFF	12.9%	6.7%	8.9%

^a Amounts in this account have been subject to significant inter-annual variation in the past because of difficulties in estimating billings of cooperating institutions for supervision services, which accounted for a major part of the PDFF until the transfer of supervision to IFAD.

91. Cluster 1 of the integrated administrative budget will absorb all expenditures previously financed under the PDFF. In the context of this integration of the PDFF, it is proposed that the carry-forward rules for the new administrative budget would reflect the major differences between the business processes involved in cluster 1 and clusters 2, 3 and 4 and their correspondingly different budget management platforms, specifically, and consistent with the relevant Governing Council resolutions (table 25):
- Sub-budgets for clusters 2, 3 and 4 would be governed by the carry-forward rule of the 'old' administrative budget as established by the Governing Council in 2004 (i.e. with a 3 per cent cap); and
 - The sub-budget for cluster 1 would allow the multi-year carry forward practised under the PDFF as established by the Governing Council in 2001.
92. IFAD will report annually to the Executive Board on resources carried forward from year to year on the basis of the above rules.

Table 25
Carry-forward rules for the sub-budgets of the 'new' administrative budget

<i>Sub-budget</i>	<i>Carry-forward rule</i>	<i>Reporting on level of carry forward</i>
Clusters 2, 3 and 4	3 per cent cap	Annual
Cluster 1	No cap. No fungibility to other clusters	Annual

VII. Capital budget

93. The capital budget was introduced in 2008, principally as the basis for investment in improved ICT systems essential to improving IFAD's efficiency and effectiveness. Depreciation costs are charged to IFAD's administrative budget (table 26).

Table 26

Capital budget: approvals, expenditures, depreciation charged
(Thousands of United States dollars)

	2008	2009 (estimated)
Approved capital budget	2 000	4 081
Actual expenditure from approved capital budgets	739	3 594
Depreciation charged against following year administrative budget	100	500

94. Capital projects for 2010 will be proposed in line with the operational priorities expressed in this document, with a strong emphasis on investments that realize savings that off-set the depreciation charged to the administrative budget.

VIII. Supplementary and complementary funds

95. Compared with many other IFIs, IFAD has relatively few supplementary and complementary resources to support activities complementary to the core activities of the Fund. Thus its ability to offer services relative to special issues having an important bearing on some key problems in rural poverty reduction is more limited. Examples would be the special institutional issues confronted in fragile states, and the demand from many developing countries for in-country capacity development to effectively lead and implement national rural poverty reduction strategies and programmes.
96. Supplementary funds are provided under specific bilateral agreements with donors, and as such their use is not subject to the approval of the Executive Board. They are reported here for information purposes. Table 27 indicates new external commitments to supplementary and complementary funds in IFAD (to support bilaterally agreed outputs under bilaterally agreed expenditure conditions), income actually received against past commitments, and disbursements. Of total disbursements of US\$33.77 million in 2008, some US\$16.22 million were disbursed directly to projects.

Table 27

Supplementary and complementary funds in IFAD
(Thousands of United States dollars)

	2006	2007	2008
Approved allocations (PeopleSoft)	12 669	28 051	18 657
Grants becoming effective (Loan and Grant System)	9 314	143 389	24 619
Resources received ^a	41 050	100 525	104 609
Grant disbursements	11 534	74 606	16 219
Disbursements for activities performed in IFAD under grants	11 934	11 842	17 553
Undisbursed balance of resources received (historical)	58 672	50 603	148 885

^a The significant increase in resources received in 2007 and 2008 relates primarily to the cumulative contribution of EUR 112.5 million (US\$157 million) received from the European Commission, comprised of two approved tranches of EUR 45 million and EUR 67.5 million for 2007 and 2008, respectively.

97. The costs of administering supplementary funds are substantial, not least because of fragmentation, small average size and special reporting and management requirements of donors. The supplementary funds administrative costs for 2009 are estimated as US\$4.39 million. They are financed from the management fee for administration charged to supplementary funds at a rate comparable to that charged

by other IFIs and United Nations organizations. It is estimated that the costs of supplementary fund administration in 2010 will be broadly equivalent to the 2009 level (before adjustments for inflation), and will be entirely covered from management fee income (table 28).

Table 28

Budgeted costs of administration of supplementary and complementary funds

(Thousands of United States dollars)

	2007	2008	2009
Budgeted administrative cost incurred by IFAD	3 354	4 352	4 386
Drawdown on management fees	3 354	4 352	4 386
Net cost to IFAD	-	-	-

98. IFAD is currently reviewing its approach to the mobilization and management of supplementary funds. The aim is to streamline and contain administrative costs through modifications in the way supplementary funds are received and administered (e.g. through the establishment of multi-donor trust funds as practised by the World Bank). IFAD will also seek to expand the platform that supplementary funds represent for broadening the range of rural poverty-reduction services that the Fund can bring to bear in its broad mandate area – beyond those strictly linked to its regular programme activities.

Part two – Preview of the Office of Evaluation’s three-year (2010-2012) rolling work programme and 2010 resource issues

I. Introduction

99. This is the second year the Office of Evaluation (OE) has prepared a three-year rolling evaluation work programme. In line with the good practice of other evaluation outfits¹⁹ that follow a similar approach, this document contains a preview of OE’s three-year rolling work programme for 2010-2012 and resource requirements for 2010.
100. Following the incorporation of the comments by the Evaluation Committee at its fifty-seventh session in July 2009, and based on the guidance and comments provided by the Executive Board during its planned session in September 2009, OE will prepare its comprehensive work programme for 2010-2012 and 2010 budget for discussion at the fifty-eighth session of the Evaluation Committee in October. Thereafter, based on the further guidance of the Committee, OE will prepare its work programme for 2010-2012 and 2010 budget for discussion at the ninety-eighth session of the Board in December 2009. Prior to this, as per the Board’s decision, the proposal will be considered by the Audit Committee in November 2009, together with the administrative budget of IFAD for 2010.
101. This document is divided into five sections. Section II presents a summary of the main OE achievements thus far in 2009. An overview of the achievements is also provided in annex I of the document. Section III contains selected operational lessons for OE that have been drawn from the implementation of the current year’s work programme, while section IV includes the proposed priorities for 2010-2012, together with an account of the main evaluation activities that the division plans to undertake. Section V outlines resource issues for 2010 that will allow OE to implement its work programme in a timely manner. Annexes II and III provide a synthesis of the proposed human and financial resource requirements of OE in 2010.

II. Achievements in 2009

102. OE had four priorities in 2009, which took into consideration the need to satisfy the requirements of the IFAD Evaluation Policy and the terms of reference of the Evaluation Committee. These priorities were: (i) conducting selected corporate-level, country programme and project evaluations; (ii) specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee; (iii) evaluation outreach and partnerships; and (iv) evaluation methodology and effectiveness of OE. To date, OE has been able to implement most of the activities planned under the four established priorities according to schedules, with a few exceptions owing to unavoidable delays.²⁰

¹⁹ For example, see: (i) the Proposed 2008-2010 Three-Year Rolling Work Programme and 2008 Budget of the African Development Bank’s Operations Evaluation Department; and (ii) the Work Program and Budget: fiscal year (FY) 2008 and Indicative Plan (FY 2009-2010) of the World Bank’s Independent Evaluation Group.

²⁰ The exceptions are: (i) the project evaluation in the Dominican Republic is delayed by about eight months owing to the unforeseen leave exigencies of the OE lead evaluator originally designated for the evaluation; (ii) the Argentina country programme evaluation has been rescheduled and will be completed in 2010, rather than at the end of 2009, owing to the last minute withdrawal of the selected consultants’ team leader and the recent flu epidemic in the country; and (iii) the final report on the African Development Bank (AfDB)-IFAD joint evaluation on the agricultural and rural development policies and operations implemented by the two organizations in Africa is under preparation. This evaluation will be discussed by the Evaluation Committee and the Executive Board in December 2009, rather than in September 2009 as originally planned. In part, the postponement can be attributed to the elaborate process for: (i) considering the comments of AfDB and IFAD managements on the various deliverables produced during the evaluation, and of the African governments on the draft final report; and (ii) coordinating the dates related to the presentation of the draft final report to AfDB and IFAD governing bodies.

103. With regard to priority (i), OE worked with the Operations Evaluation Department of the African Development Bank (AfDB) to conduct a joint evaluation of the agricultural and rural development policies and operations implemented in Africa by the two organizations. Thus far, OE has completed the interim report on the joint evaluation, which was based on four specific working papers, namely: (a) the changing context and prospects for agriculture and rural development in Africa; (b) a meta-evaluation of the past performance of operations funded by the two organizations on the continent; (c) a review of partnerships between the AfDB and IFAD; and (d) an analysis of selected business processes and their impact on results. The interim report and corresponding working papers have been finalized and shared with IFAD Management and members of the Executive Board.²¹
104. Among other issues, the interim report notes that, on the whole, Africa has made useful progress towards establishing a more stable political environment for promoting rural poverty reduction and growth through agriculture and rural development. There have been improvements at the institutional level, with stronger regional and subregional organizations, and stronger civil society and community organizations making governments more accountable. However, the heterogeneity on the continent makes agricultural and rural development a challenging task and, apart from the current economic downturn, some of the issues that require further attention include climate change, food price volatility, and adjusting to the unfavourable trade regime that acts as a disincentive to agriculture growth.
105. The report also indicates that the performance – measured in terms of relevance, effectiveness and efficiency – of IFAD-funded projects is better than that of the AfDB’s projects. However, there is still room for improvement, especially in terms of sustainability, engaging the private sector, and attention to gender equality and women’s empowerment. Moreover, in spite of the moderately satisfactory project performance, the performance of the two organizations’ country programme is not as good, especially in terms of policy dialogue, knowledge management, partnership strengthening, and in ensuring adequate synergies between lending and non-lending activities.
106. The country work phase and quality-at-entry review of AfDB and IFAD operations in agriculture and rural development in Africa have also been completed. The purpose of the country work phase, which included visits to eight countries,²² was to validate the findings and hypotheses emerging from the interim report through interactions with governments, beneficiaries, donors and other partners, and visit selected project sites and activities. The quality-at-entry review discussed the changes adopted in recently formulated country strategies and project designs in ten African countries,²³ and assessed the extent to which lessons drawn from past operations and recent reform initiatives have been reflected in the design of more recent operations. On the whole, the country visits confirmed the main findings of the interim report, for example, in terms of the need for IFAD and the AfDB to devote more attention to gender and sustainability. The quality-at-entry review revealed that the reforms promoted by the two organizations since their respective independent external evaluations are on the right track, and that country strategies and project designs are generally addressing many areas found in past operations to be in need of improvement, such as targeting, and monitoring and evaluation.

²¹ These documents can be downloaded from the IFAD website at www.ifad.org/evaluation/jointevaluation/index.html.

²² Countries visited include Ghana, Mali, Morocco, Mozambique, Nigeria, Rwanda, The Sudan and the United Republic of Tanzania.

²³ These are the eight countries included in the country visits, in addition to Burkina Faso and Kenya.

107. Building on all the deliverables produced during the process, the draft final joint evaluation report is being prepared. It was shared with the managements of the two organizations for their review and comments at the beginning of July. Thereafter, the document will be distributed to governments and others in Africa for their feedback. Visits to selected African countries to discuss this draft report will take place between September and October. Finally, the evaluation will be discussed by the Evaluation Committee and the Executive Board in December 2009. It will also be discussed by the Committee on Development Effectiveness and Board of Directors at the AfDB.
108. OE is currently working on the corporate-level evaluation (CLE) of IFAD's capacity to promote pro-poor replicable innovations for rural poverty reduction. A number of deliverables are under production, including a comprehensive assessment of the Initiative for Mainstreaming Innovation, a staff survey on IFAD's organizational capabilities in supporting the promotion of innovation and a benchmarking study to capture lessons learned and good practice in five comparable organizations²⁴ that devote attention to innovations. Visits are being undertaken to five countries,²⁵ one in each region covered by IFAD operations. The evaluation is expected to be completed by the end of 2009, and discussed by both the Evaluation Committee and the Executive Board in December 2009.
109. OE has started the CLE on IFAD's approaches and results in promoting gender equality and women's empowerment. The approach paper is under production, and, among other issues, will lay out the main objectives, key questions and overall process for this important evaluation. As agreed with the Board, this evaluation will be completed in 2010, so that it can provide timely inputs for the development of the Fund's gender policy by Management, following completion of the evaluation.
110. OE worked on a number of country programme evaluations (CPEs) in 2009. It completed The Sudan CPE by organizing a national round-table workshop in Khartoum in February. The CPE provided inputs to the development of the country's new results-based country strategic opportunities programme (COSOP), which was considered by the Board in April 2009. The CPE found that project performance was moderately satisfactory, especially in terms of promoting food security, community participation in decision-making, and small-scale irrigation. However, the evaluation revealed that much more could have been achieved in terms of policy dialogue, especially at the national level, given the long-term presence and the credibility of the Fund in the country.
111. Other CPEs are currently under implementation in Argentina, India, Mozambique, and the Niger. The preliminary results from the Mozambique CPE indicate that the Fund has made an important contribution to agriculture and rural development in the country, especially through artisanal fisheries, sustainable rural finance and market access. Moreover, good progress has also been made in policy dialogue. However, the evaluation also notes that it is essential that IFAD strengthen its country presence in Mozambique, inter alia, if it is going to continue to play an important role in policy processes and in donor coordination and harmonization activities. The Mozambique CPE will be discussed by the Evaluation Committee during its fifty-eighth session in October 2009.
112. The India and the Niger CPE reports are under production, following completion of the field visits by the respective OE evaluation teams in the first part of the year. These evaluations are expected to be completed by the end of 2009. It is worth noting that, as part of the India CPE, OE is undertaking a case study on performance management

²⁴ Humanist Institute for Development Co-operation, International Development Research Centre, Irish Aid, United Nations Development Fund for Women and World Bank.

²⁵ Including Brazil, Morocco, Nigeria, the United Republic of Tanzania, and Viet Nam.

in order to identify opportunities and challenges facing project management and related processes that are critical to the achievement of results on the ground. In the context of the Niger CPE, dedicated performance and impact assessments were conducted in two projects to collect primary data to strengthen the analytic and quantitative basis of the evaluation.

113. With regard to project evaluations, as agreed with the Board, OE is working on six project evaluations in Benin, China, Dominican Republic, Ethiopia, Uganda and Yemen. All evaluations will be completed as scheduled by the end of the year, apart from the one in the Dominican Republic, which will be finalized in early 2010 (see footnote 2).
114. With regard to priority (ii), which is evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee, the preparation of this year's Annual Report on Results and Impact of IFAD Operations (ARRI) is under way. The document will be discussed as scheduled in October with the Evaluation Committee, and thereafter with the Executive Board in December 2009. Following the practice introduced in the past, the ARRI devotes due space to learning, in addition to providing an account of the performance and impact of IFAD operations. The 2009 ARRI focuses on two learning themes agreed with the Board last year, namely access to markets and environment and natural resources management. In this regard, OE prepared issues papers and organized dedicated in-house learning workshops to discuss and exchange views with IFAD operations staff and others on each of these topics. This year's ARRI has a strong partnership dimension with the Food and Agriculture Organization of the United Nations (FAO) Trade and Markets Division and the Environment, Climate Change and Bioenergy Division, especially in the production of the two issues papers. FAO staff from these and other divisions also participated in the ARRI learning workshops held in May. The results of the workshops, in terms of the main proposed follow-up actions for IFAD Management to consider in each of these thematic areas, will be captured in dedicated sections of the final ARRI document.
115. In April 2009, the Executive Board redefined the composition of the Evaluation Committee for a three-year term²⁶ ending in April 2012. A new Committee chairperson (the Executive Board Director from Egypt²⁷) was elected at the fifty-sixth session held in June. Thus far, three formal and two informal sessions of the Committee have been held in April, June, and July. Matters discussed by the Committee during these sessions included project evaluations in Argentina and the Democratic People's Republic of Korea, the Nigeria CPE, the new IFAD Rural Finance Policy, together with OE's comments on the same, the preview of the three-year (2010-2012) rolling work programme and 2010 resource issues, the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), the procedures for the appointment and renewal of the OE Director, and the approach paper/terms of reference of the OE external peer review. An orientation session for new Committee members was held during the informal session in June. Two further sessions are planned in 2009 in October and December. In addition, OE will organize the Committee's annual field visit to India in December 2009.
116. On another issue, at the request of the Evaluation Committee during its fifty-sixth session in June, OE will develop a proposal for further strengthening the evaluation learning loop, which will be included in OE's comprehensive three-year rolling work programme for 2010-2012 and 2010 budget document, to be discussed with the Evaluation Committee during its fifty-eighth session in October 2009.

²⁶ The renewed composition of the Committee includes Brazil, Canada, Egypt, India, Indonesia, Ireland, the Netherlands, Nigeria and Sweden.

²⁷ Dr Abdel Aziz Mohamed Hosni.

117. With regard to priority (iii) on evaluation outreach and partnerships, OE continued to intensify its engagement in various international evaluation platforms and processes related to evaluation. OE took part in the annual meeting of the United Nations Evaluation Group (UNEG), and is engaged in various UNEG task forces, including those concerned with impact evaluation, human rights and gender. Similarly, OE took part in meetings of the Evaluation Cooperation Group (ECG) of the multilateral development banks and the Network of Networks on Impact Evaluation (NONIE).
118. Finally, the partnership agreement (third phase) between OE and the Swiss Agency for Development and Cooperation (SDC) came into effect in April this year. The partnership will allow OE to go the extra mile by financing additional activities of an innovative and experimental nature or to incorporate more depth and breadth into analysis in order to strengthen evidence-based evaluation, which would not be covered by OE's annual administrative budget. For example, in 2009, the division is using the partnership resources for the CLE on IFAD's capacity to promote pro-poor replicable innovation, the learning themes of the ARRI (see paragraph 114 above), evaluation capacity development (ECD) activities, training and rolling out of OE's new evaluation manual and the undertaking of a special case study on performance management within the framework of the India CPE.
119. OE has undertaken some activities that will contribute to the development of its future approach and involvement in ECD, as requested by the Committee and the Board in 2008. This includes mapping the landscape of existing ECD activities in China and India, and holding discussions with the two governments concerned, and with the World Bank and others, to identify potential partnerships in this area. A summary of the main efforts in ECD will be included in the comprehensive OE work programme and budget document, which will be discussed by the Committee in October.
120. On another issue, taking into account the need to ensure independence of the evaluation function, OE staff have participated in numerous in-house quality enhancement processes, such as operational policy and strategy committee meetings and policy forums, in order to ensure that lessons learned from evaluations are adequately internalized in the development of new IFAD policies, strategies and projects.
121. Under priority (iv) related to evaluation methodology and OE effectiveness, the division is working on rolling out the new OE evaluation manual, which included the translation into all IFAD official languages, publication and dissemination of the document, and the development of a tailored training module for OE staff and consultants. On another topic, a more systematic approach to internal peer reviews by OE has been introduced for all evaluations undertaken. The aim of such internal peer reviews is to enhance knowledge sharing and ensure enhanced quality of OE deliverables. Moreover, as agreed with the Committee and Executive Board, OE is now hiring senior independent advisers for all higher-plane evaluations (corporate-level and country programme evaluations), whose main contribution is to provide advice to the division throughout the evaluation process and bring reassurance to the Evaluation Committee and Executive Board on the quality of evaluations conducted and processes followed. Finally, in October OE will provide an overview of the progress made against the indicators in the division's new Results Measurement Framework²⁸ approved by the Board during its ninety-fifth session in December 2008.
122. Another activity initiated is the external peer review of OE, which includes a review of the IFAD Evaluation Policy. The external peer review is expected to be completed by the end of 2009, and discussed by the Evaluation Committee and the Executive Board

²⁸ See Annex XVI, EB 2008/95/R.2/Rev.1.

in December. The peer review is being undertaken under the aegis of the ECG and includes the participation of the chairperson of UNEG. As agreed with the Board last year, the peer review covers the Fund's evaluation function in its entirety, including the performance of OE and the quality of its products, methodology and processes, the Evaluation Policy and the self-evaluation processes undertaken by IFAD Management, in addition to the role and operations of the Evaluation Committee.

III. Taking stock of 2009

123. As in past years, before defining its priority areas, including the work programme for the three-year period 2010-2012 and resource issues for 2010, OE reviewed the experience in implementing its 2009 work programme. Three key issues emerging from this reflection are summarized below.
124. In addition to reporting on the results achieved through IFAD-supported operations, an area where more effort and resources are being invested is in understanding the proximate causes of performance (i.e., the *Why factor*). OE is therefore devoting more attention to moving beyond answering "What was the documented performance?" to also addressing more comprehensively the question "Why is performance as it was?" This is extremely important in generating lessons that can then be used in raising the Fund's overall development effectiveness. This is achieved, inter alia, by devoting sufficient time and effort at the outset of each evaluation to defining the main questions to be covered and the sources of data and information to facilitate the process, and by undertaking in-depth internal peer reviews on key evaluation deliverables including the main report.
125. The important experience related to the joint evaluation on Africa conducted with the AfDB has generated several lessons that can be useful for similar exercises in the future. On the positive side, among other issues, OE realizes that joint evaluations can contribute to widening the scope of evaluations, reducing transaction costs on partner countries, and strengthening partnership between the organizations involved in the joint evaluation. On the other hand, joint evaluations appear to require a relatively higher degree of coordination, communication, and time for implementation, together with process and risk management considerations. Based on this experience, OE will explore opportunities for further joint evaluations, including those that may entail a varying degree of "jointness". One form of joint evaluation between two organizations could include dedicating specific and comprehensive attention to exchanging experiences and lessons throughout the process, rather than necessarily having a single evaluation team and a joint final report, which is the case with the ongoing joint Africa evaluation. For example, in the framework of the India CPE, OE has maintained an active exchange of information with FAO, which is currently undertaking an evaluation of its operations in the same country. In particular, a dedicated meeting will be organized to discuss the findings from and exchange experiences on the FAO and IFAD India CPEs. FAO will also be invited to the national round-table workshop on the OE India CPE in Delhi in December 2009 to present its evaluation results. OE is also exploring other opportunities for joint evaluations, such as collaborating with the World Bank on the CLE on IFAD's approaches and results in promoting gender equality and women's empowerment, given that the Independent Evaluation Group of the World Bank is currently undertaking an evaluation of the Bank's efforts and assistance on the same topic.
126. While evaluations by nature invariably look at the performance of past strategies and operations, OE recognizes the importance of also capturing during selected evaluations the evolution in IFAD strategies, processes and project design. In this regard, for example in CPEs, OE increasingly also reviews recently designed and ongoing

operations, especially to examine its relevance and the extent to which lessons from the past are reflected in the design of more recent operations. Therefore, in addition to reporting on the results of past operations, this allows OE evaluations to capture the evolving priorities and directions in a country programme, and to assess whether IFAD is adequately learning from the past. An example of this is the quality-at-entry review conducted as part of the joint Africa evaluation.

IV. OE priorities for 2010-2012

127. OE proposes four priorities for the period 2010-2012, which take into consideration the requirements of the Evaluation Policy and the terms of reference of the Evaluation Committee, and the contribution of evaluation work towards achieving selected corporate management results.²⁹
128. The four main priority areas for 2010-2012 are:
- (a) Conducting of 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;
 - (d) Evaluation methodology and effectiveness of OE.
129. Priority area (a) represents the core of OE's work programme. Under this priority, OE will complete a number of evaluations that were initiated in 2009. These include the CLE on the approaches and results in promoting gender equality and women's empowerment in IFAD operations, and the CPEs in China, Haiti, Kenya and Yemen. In particular, OE will devote time and attention to ensuring a broad outreach of the main lessons learned and issues from the joint Africa evaluation. This will entail the organization of dedicated multistakeholder workshops in Africa, involving government officials, policymakers, civil society representatives, IFAD Management and staff, and others.³⁰
130. As agreed with the Evaluation Committee in October and the Executive Board in December 2008, the CLE on the IFAD Private-Sector Development and Partnership Strategy, originally planned to start at the end of 2009, was postponed by one year. As per the Board's decision, this was done with the aim of allowing OE to first undertake in 2009/10 the CLE on IFAD's approaches and results in promoting gender equality and women's empowerment, which was considered the main priority. Therefore, the CLE on the IFAD Private-Sector Development and Partnership Strategy will be initiated at the end of 2010 and completed in 2011. In this regard, it is important to note that Management is committed to presenting to the Board in December 2010 a proposal on IFAD's role and instruments relative to engagement with the private sector. However, given that the OE evaluation will only be completed by end 2011, and based on the good practice of developing policies and strategies following an evaluation on the same topic, the Committee may wish to recommend to the Board that the development of the proposal on IFAD's engagement with the private sector by Management be undertaken in 2012, following the completion of the CLE. Finally, the planned CLE on

²⁹ The Fund has ten corporate management results: better country programme management, better project design (loans and grant), better supervision and implementation support, better financial resource management, better human resource management, better results and risk management, better administrative efficiency and an enabling work and ICT environment, better inputs into global policy dialogues for rural poverty reduction; effective and efficient platform for Members' governance of IFAD; and increased mobilization of resources for rural poverty reduction.

³⁰ The outreach efforts, including the translation and publishing of the evaluation report in relevant languages and the organization of the multistakeholder workshops, will be financed through Canadian supplementary funds (see annex III).

IFAD's policy dialogue approaches has been included in the three-year rolling work programme, to be undertaken following the completion of the CLE on the Private-Sector Development and Partnership Strategy.

131. A number of CPEs are provisionally planned for the period 2010-2012. One main criterion followed in including a CPE in the work programme is that there should be a clear intention by Management to develop a new results-based COSOP in the same country, following completion of the CPE. Hence, subsequent to consultations with the Programme Management Department, CPEs for the following countries are provisionally planned during 2010-2012: Ghana, Madagascar, Rwanda and Viet Nam.
132. Various project evaluations have also been planned for the same period. In particular, five new project evaluations are provisionally proposed in 2010 in Azerbaijan, Ghana, the Lao People's Democratic Republic, Rwanda and the United Republic of Tanzania.³¹ The evaluations in Rwanda and the United Republic of Tanzania are interim project evaluations, which are mandatory according to the Evaluation Policy before embarking on the design of the subsequent phase of the corresponding projects. A number of completion and interim project evaluations for 2011 and 2012 will also be provisionally included in the three-year rolling work programme, for discussion with the Committee in October 2009.
133. Under priority (b), OE will prepare the ARRI each year from 2010 to 2012 and present it as per usual practice to both the Evaluation Committee and Executive Board. Similarly, it will review and prepare its comments on the PRISMA, and on the Report on IFAD's Development Effectiveness (RIDE). As per the terms of reference of the Evaluation Committee, OE will also prepare its comments on any corporate policy proposal that would be developed by Management in areas where OE has accumulated over the years sufficient evaluative evidence and lessons learned. Finally, each year from 2010-2012, OE will prepare a three-year rolling work programme,³² together with a specific budget proposal for the first of the three years in the rolling work programme.
134. In accordance with the terms of reference of the Evaluation Committee, OE will organize four sessions of the Committee each year, and any additional sessions considered necessary by the chairperson. The Committee will define its provisional agenda for the subsequent year at its December session. On a related issue, it is proposed that the Committee undertake its annual field visit in 2010 to Mozambique in connection with the ongoing CPE, in 2011 to Yemen and in 2012 to Ghana in connection with the planned CPEs in these countries. The exact timeframe for these visits will be proposed by OE to the Committee for consideration during its December session.
135. With regard to priority (c), OE will continue its efforts to ensure that aspects of communication and dissemination are incorporated in each evaluation from the outset. The present practice of disseminating printed copies of evaluation reports and evaluation Profiles³³ and Insights³⁴ to Executive Board members, partners in

³¹ Paragraphs 131 and 132 list the countries in which CPEs and project evaluations are likely to be conducted in 2010. The final list will be developed in September 2009 and included in the comprehensive OE work programme and budget document to be discussed by the Committee in October 2009.

³² These will cover the period 2010-2012 (presented to the Board in 2009), 2011-2013 (for presentation in 2010), and 2012-2014 (for presentation in 2011).

³³ Evaluation Profiles are two-page summaries of the main conclusions and recommendations arising from each IFAD evaluation. They provide a sampling of evaluation results and an incentive for readers to delve deeper and follow up on interesting issues in the full report.

³⁴ Evaluation Insights focus on one learning issue emerging from corporate, thematic or country programme evaluations. Presenting a hypothesis, Insights will form the basis for debate and discussion amongst development professionals and policymakers both within IFAD and outside the institution.

developing countries and others, and updating the evaluation section on the IFAD website, will be continued. In line with the Evaluation Policy, OE will also continue to participate in IFAD internal platforms (e.g. in the Operational Strategy and Policy Guidance Committee) with a view to clarifying and deepening the understanding of evaluation lessons and recommendations. Among other activities, in-country learning workshops will be organized for each evaluation undertaken, as a means of discussing evaluation results and lessons learned with multiple stakeholders. In addition, OE will continue to identify, through the ARRI, key learning themes to be discussed with IFAD Management through in-house learning workshops.

136. In terms of partnerships, OE will participate actively in the discussions of the ECG, NONIE and UNEG. It will also take part in selected international and regional conferences and workshops on evaluation and related themes, including those organized by selected evaluation societies and associations (e.g., the African Evaluation Association and the European Evaluation Society). In addition, OE will become more systematically involved in ECD, focusing its efforts on evaluation capacity-building in the agriculture and rural sector, in partnership with other organizations. In this regard, the comprehensive work programme and budget document, to be presented to the Committee in October 2009, will contain the overall proposed ECD approach and activities that OE will focus on in 2010. Finally, OE will continue the partnership with SDC (see paragraph 118) and use resources *inter alia* for the gender evaluation and the learning themes selected within the 2010 ARRI.³⁵
137. With regard to priority (d), OE will ensure a rigorous application of the new evaluation manual in all evaluations conducted and continue to hire senior independent advisers for higher-plane evaluations, and further strengthen its internal peer review activities to cover all evaluations undertaken by the division in 2010. The division will reserve time and resources for implementing any follow-up actions recommended by OE's external peer review, being conducted in 2009.

V. 2010 resource issues

138. In 2010, the division plans to work with the same levels of human resources as in 2009 (see annex II for more information on OE staff levels).
139. Using the same inflation factor (1.5 per cent for non-staff costs and 6.5 per cent increase for staff costs) as that applied by IFAD in the preview of its 2010 administrative budget, OE's budget proposal for 2010 is around US\$6.0 million (see annex III). This reflects a decrease in real terms of about US\$100,000, or 1.8 per cent of the total 2009 administrative budget. It is also important to note that, as for the rest of IFAD, the 2009 administrative budget will be restated in the second part of this year, which will therefore have consequences for the 2010 final budget proposal. The specific details of the 2010 budget will be presented to the Executive Board in December 2009, following discussions at the Evaluation Committee in October.

³⁵ As per the Board decision in December 2008, the learning themes for the 2010 ARRI include human and social capital and empowerment, and institutions and policies.

OE achievements in relation to planned priorities and activities in 2009

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status</i>	
Priority A: Conducting of selected corporate-level, country programme and project evaluations	1. Corporate-level evaluations	Joint evaluation with AfDB on agricultural and rural development policies and operations in Africa	To be completed in June 2009	Will be completed in December 2009 with discussion by the Evaluation Committee and Executive Board (see footnote 2 in the main document)	
		IFAD's capacity to promote pro-poor replicable innovations	To be completed in December 2009	Will be completed as scheduled	
	2. Country programme evaluations	Argentina		To be completed in December 2009	Will be completed in 2010, owing to last-minute withdrawal of the selected consultants' team leader and the recent flu epidemic in the country
		China		To start in November 2009	Will be undertaken as scheduled
		Haiti		To start in November 2009	Will be undertaken as scheduled
		India		To be completed in December 2009	Is being undertaken as scheduled
		Kenya		To start in November 2009	Will be undertaken as scheduled
		Mozambique		To be completed in September 2009	Is being undertaken as scheduled
		Niger		To be completed in December 2009	Is being undertaken as scheduled
		Sudan		To be completed in March 2009	Completed
Yemen		To start in November 2009	Will be undertaken as scheduled		
3. Project evaluations 3.1. Interim evaluations	Ethiopia: Rural Financial Intermediation Programme		To be completed in August 2009	Is being undertaken as scheduled	
	Uganda: Vegetable Oil Development Project		To be completed in August 2009	Is being undertaken as scheduled	
	3.2. Completion evaluations	Benin: Roots and Tubers Development Programme		To be completed in August 2009	Is being undertaken as scheduled
		China: West Guangxi Poverty-Alleviation Project		To be completed in August 2009	Is being undertaken as scheduled
		Dominican Republic: South Western Region Small Farmers Project – Phase II		To be completed in August 2009	Will be started in September 2009, owing to unforeseen leave exigencies of designated lead evaluator

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status</i>
		Yemen: Raymah Area Development Project	To be completed in August 2009	Is being undertaken as scheduled
Priority B: Specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee	4. Evaluation Committee and Executive Board	Field visit of the Evaluation Committee	Field visit in 2009	As per its decision, the Evaluation Committee will undertake its annual field visit to India from 7 to 11 December
		Review of the implementation of the three-year rolling work programme and budget 2009-2011, and preparation of the three-year rolling work programme and budget 2010-2012	To be completed in December 2009	Is being undertaken as scheduled
		Seventh Annual Report on Results and Impact of IFAD's Operations (ARRI)	To be completed in December 2009	Is being undertaken as scheduled and will be discussed by the Evaluation Committee in October and Executive Board in December 2009, as planned
		OE comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA)	To be completed in September 2009	Completed
		OE comments on the Report on IFAD's Development Effectiveness (RIDE)	To be completed in December 2009	Document with OE comments will be discussed by the Evaluation Committee and the Executive Board in December 2009, as planned
		OE comments on selected IFAD operations policies (on the IFAD Rural Finance Policy in April 2009, the IFAD Policy on Engagement with Indigenous Peoples and the IFAD Policy for Grant Financing) prepared by IFAD Management for consideration by the Evaluation Committee	To be completed in December 2009	Undertaken as scheduled (comments on rural finance policy in April, indigenous peoples policy in July, and grants policy in December 2009)
		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	To be completed in December 2009	Thus far, three formal sessions have been held. In addition, two informal sessions were organized to discuss the procedures for the appointment and renewal of the OE Director. Finally, an induction session was also conducted for new

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation status</i>	<i>Present status</i>
Priority C: Evaluation Outreach and Partnerships	5. Communication activities	Evaluation reports, <i>Profiles, Insights</i> , OE website, etc.	January-December 2009	Committee members Is being undertaken as scheduled
	6. Partnerships	ECG, NONIE, UNEG and SDC partnership	January-December 2009	Is being undertaken as scheduled
	7. Quality enhancement and OSCs ^a required	Participate in selected in-house quality enhancement processes, for example by attending OSCs that discuss corporate policies and strategies, COSOPs, and projects evaluated by OE being considered for a follow-up phase	January-December 2009	Is being undertaken as scheduled
	8. Evaluation capacity development	Development of an approach for evaluation capacity development in partner countries	January-December 2009	Is being undertaken as scheduled
Priority D: Evaluation methodology and effectiveness of OE	9. Methodological work	External peer review of OE, including the Evaluation Policy, by ECG	January-December 2009	Will be undertaken as scheduled
		Improvement of monitoring and evaluation systems in IFAD operations	January-December 2009	Will be undertaken as scheduled
		Publication and dissemination on the new evaluation manual, together with training in its use	January-December 2009	Is being undertaken as scheduled
		Quality assurance and supervision of methodology application	January-December 2009	Is being undertaken as scheduled
		Implementation of the results measurement matrix for monitoring and strengthening the effectiveness and quality of OE's work, including reporting to the Evaluation Committee and Executive Board	January-December 2009	Is being undertaken as scheduled
		OE internal peer reviews of all evaluations	January-December 2009	Will be undertaken as scheduled

^a Operational Strategy and Policy Guidance Committee.

OE staff levels for 2010

<i>2006 level</i>	<i>2007 level</i>	<i>2008 level</i>	<i>2009 level</i>	<i>2010</i>		
				<i>Professional staff</i>	<i>General Service staff</i>	<i>Total</i>
18	20	18.5	19.5 ^a	11.5	8	19.5

^a The staff level increase was approved by the Executive Board in December 2008 to allow for the recruitment of a research analyst to partly offset the cumulative time that present evaluators are expected to devote to additional activities related to improving the effectiveness and quality of OE's work.

Proposed 2010 OE budget

(in United States dollars)

	2006 Budget ^a	2007 Budget ^a	2008 Budget ^a	2009 budget ^b	Proposed 2010 Budget			
					1.5 per cent inflation ^c	6.5 per cent increase in staff cost ^d	Real increase/decrease	Total 2010 budget
Evaluation work								
Non-staff costs	2 684 000	2 990 565	2 465 565	2 696 000	40 440	-	-106 440	2 630 000
Evaluation work								
Staff costs	2 221 000	2 835 130	2 777 012	3 157 851	-	205 260	0	3 363 111
Total	4 905 000	5 825 695	5 242 577	5 853 851	40 440	205 260	-106 440	5 993 111

^a Restated budget. As for the rest of IFAD, figures are restated during the year by IFAD's Strategic Planning and Budget Division (FS) to take into account fluctuations of the EUR/US\$ exchange rate.

^b As approved by thirty-second session of the Governing Council. As suggested by the Strategic Planning and Budget Division (FS), the IFAD and OE administrative budgets will be restated later in 2009. The restated budget will form the basis of the final OE proposed budget for 2010, which will be included in OE's comprehensive work programme and budget to be discussed by the Evaluation Committee in October 2009.

^c As for the rest of IFAD.

^d As for the rest of IFAD and recommended by FS. Detailed standard costs based on International Civil Service Commission data will be available in due course and will be reflected in OE's comprehensive work programme and budget document.

Supplementary funds:

- (a) Switzerland: Thus far in 2009, OE has used approximately US\$250,000 out of the SDC-OE partnership resources (see paragraph 118). It is anticipated that about US\$150,000 from the partnership will be used in 2010 for the CLE on gender and the preparation of the issues papers within the context of the 2010 ARRI.
- (b) Canada: Approximately US\$200,000 will be used for the outreach activities related to the joint Africa evaluation (see paragraph 129).

