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Enabling poor rural people
to overcome poverty

**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-eighth Session
Rome, 15-17 December 2009

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD's Operations
CIAO	Contact Information Available Online
CLE	corporate-level evaluation
CLP	core learning partnership
CMR	corporate management result
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPMT	country programme management team
DSF	Debt Sustainability Framework
ECD	evaluation capacity development
ECG	Evaluation Cooperation Group
FAD	Finance and Administration Department
FAO	Food and Agriculture Organization of the United Nations
ICSC	International Civil Service Commission
ICT	information-and-communications technology
IFI	international financial institution
OE	Office of Evaluation
OPV	Office of the President and the Vice-President
OSC	Operational Strategy and Policy Guidance Committee
PDFF	Programme Development Financing Facility
PMD	Programme Management Department
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
SIA	senior independent adviser
UNEG	United Nations Evaluation Group

Recommendation for approval

The Executive Board is invited to approve the recommendation on IFAD's 2010 results-based programme of work and administrative and capital budgets, and on the administrative budget of IFAD's Office of Evaluation for 2010, as contained in paragraphs 110 and 111.

Executive summary

1. In line with the targets established in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources, it is proposed that IFAD's programme of work for 2010 should rise by 12 per cent to US\$800 million – the first instalment of the US\$3 billion programme of work for the Eighth Replenishment period as a whole. Almost half of the lending programme would be devoted directly to increased agricultural production and natural resource management. Consistent with the recommendations contained in the Eighth Replenishment report, the administrative budget for 2010 integrates the Programme Development Financing Facility established by the Governing Council in 2001, and is aligned with IFAD's corporate management results within a results-based budget.
2. To support the expansion of the programme of work and the achievement of the impact targets spelled out in the Results Measurement Framework for the Eighth Replenishment period, it is proposed that, in real terms, IFAD's newly integrated administrative budget should increase by 4.4 per cent. Resources allocated to country programme development and implementation would rise by 7.5 per cent. In aggregate, resources allocated to all other purposes would rise by 0.2 per cent. Some 66 per cent of the budget would be devoted directly to development results; 25 per cent would be allocated to corporate management, reform and administration; and 8 per cent would support the work of IFAD's governing bodies.
3. Overall, staffing (full-time equivalents) would rise by 3.4 per cent to support the expansion in development operations. The staffing level in the Programme Management Department would continue to rise (by 9.3 per cent), with growth concentrated in the country presence area. Staffing levels in the Finance and Administration Department and the External Affairs Department would fall.
4. Estimated inflation in staff costs in 2010 is 4.1 per cent, and in 2010 IFAD will consult with the Executive Board on ways of establishing greater control over staff costs. The estimated inflation for non-staff costs in 2010 is 1.5 per cent. The composite corporate inflation factor (combining staff and non-staff costs) is 3.2 per cent. The exchange rate between the euro and the United States dollar used in calculating the nominal value of the 2010 administrative budget is EUR 0.72/US\$1.00 – compared with the rate of EUR 0.79/US\$1.00 used for the 2009 administrative budget.
5. Taking into account the proposed real change in the administrative budget (a 4.4 per cent increase), the staff cost inflator (4.1 per cent), the non-staff cost inflator (1.5 per cent), and the estimated euro-dollar exchange rate of EUR 0.72/US\$1.00, the estimated nominal value of the IFAD administrative budget for 2010 is US\$131.99 million.

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

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

I. Introduction

1. IFAD's programme of work and budget for 2010 is the first of the Eighth Replenishment period. It is organized around achieving the corporate results articulated in the Report of the Consultation on the Eighth Replenishment of IFAD's Resources adopted by the Governing Council,¹ and in the Results Measurement Framework (RMF) for the Eighth Replenishment period² subsequently approved by the Executive Board. The high-level dimensions of these results (see table 1) are an increased volume of assistance delivered through loans and grants; greater impact of the projects and programmes that IFAD participates in financing; and increased efficiency – including the efficiency of its management of human resources.

Table 1
Key targets for the Eighth Replenishment period, 2010-2012

1. Programme of work (2010-2012 target)	US\$3 billion
2. Country programme and project performance (2012 target)	Percentage
Percentage of country programmes rated 4 or better for contribution to: (a) increasing incomes; (b) improving food security; and (c) empowering poor rural women and men	80
Percentage of projects rated 4 or better at completion for:	
Effectiveness	90
Rural poverty impact on the target group	90
Gender equality	80
Innovation, learning and/or scaling up	80
Sustainability of benefits	75
Relevance	90
Efficiency	75
3. Efficiency ratio	13.5

2. The latest Annual Report on Results and Impact of IFAD's Operations (ARRI) and the Report on IFAD's Development Effectiveness (RIDE) show that the impact of IFAD-supported agricultural development and rural poverty reduction projects has continued to increase, and that the Fund's performance equals, and in many cases surpasses, that of its comparators. IFAD comes to the end of the Seventh Replenishment period having met the challenge of achieving a step-change in the quality and impact of its work. Against the backdrop of the global food price crisis and the long-term problems of food supply and security, the focus of the Eighth Replenishment will be on significantly increasing IFAD's outreach at the country

¹ Document GC 32/L.5

² Document EB 2009/97/R.2

level while consolidating and gradually improving quality in even the most difficult contexts: the most fragile states, the most vulnerable populations and the most marginal areas.

3. The Eighth Replenishment report gave broad guidance on how IFAD should manage its budgetary resources to develop and implement its programme of work of loans and grants: it should implement results-based budgeting; it should integrate its administrative budget and Programme Development Financing Facility (PDFF) into one transparent, results-oriented instrument; it should step up its support to programme development and implementation, while rigorously containing administrative costs; and it should improve its overall cost-efficiency towards the level of other larger international financial institutions (IFIs) enjoying important economies of scale.
4. The 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 (EB 2009/97/R.4) described the multi-year framework for achieving IFAD's planned results for the Eighth Replenishment period, and summarized the Fund's approach to implementing results-based budgeting to complement the results-based management system adopted under IFAD's Action Plan for Improving its Development Effectiveness. It outlined an increase of approximately 12 per cent in the programme of work in 2010 as a precursor of even faster growth in 2011 and 2012; and it proposed a real growth in the administrative budget, which would integrate the PDFF for the first time, of about 4 per cent to sustain that increase. It also proposed that, in aggregate, the real budgets for activities that were not directly operational would remain largely unchanged, while the budget for operational activities would rise by about 7 per cent to support the delivery of the growth and quality agenda established in the Eighth Replenishment report. It further indicated that – in line with the need to support development policy, programming and project implementation at the country level – much of this increase would strengthen IFAD's country presence, a mechanism that successive ARRIIs have identified as vital to IFAD's development effectiveness. The newly integrated administrative budget proposed in this document is in line with the High-level preview, subject to the minor variations that inevitably arise in translating broad principles into resource allocation practice.
5. Human resources are the key to IFAD's effectiveness and to its costs. Orientation to the United Nations Common System and the International Civil Service Commission (ICSC) (a mechanism governed by United Nations Member States) has led IFAD to incur, like its sister agencies in Rome, significant increases in staff costs – increases often linked to inflation in the costs of benefits (e.g. medical treatment). The average increase in staff costs currently estimated for 2010 is lower, at 4.1 per cent, than the 6.5 per cent anticipated in the High-level preview, and IFAD will propose developing, in consultation with the Executive Board, an approach to staff cost management that increases flexibility and the price-setting autonomy of the Fund.
6. The IFAD programme of work has increased consistently in recent years: the real budget for administration has not. The number of staff in the administrative area (much of which is directly supportive of operational work) has consistently decreased while the volume of work has increased. In the Eighth Replenishment period, the challenge will not be to start improving staff efficiency, as improvements have been under way for some time, but to streamline processes so that staff time is focused on professional and value-adding functions, in line with the current level of capacity of IFAD's development partners.

II. Planning and managing for results

7. As an element of the consolidation of its results-based approach to management, the Eighth Replenishment report calls on IFAD to deepen the implementation of results-based budgeting in 2010. No other international financial institution has yet implemented results-based budgeting; there are therefore no directly relevant precedents to follow. IFAD has, however, implemented a system of managing for development results since 2007, and this has been one of the foundations for its achievement of the volume and quality targets set for the Seventh Replenishment period. The results planning and monitoring matrix that lies at the heart of that system (corporate management results and key performance indicators) has evolved in the light of experience, and it is in alignment with this structure that IFAD's budget resources will be allocated in 2010 and beyond to meet the challenge of achieving the results set out in the Eighth Replenishment report.
8. Table 2 presents the outcomes-results-processes matrix that IFAD will use to allocate budget resources, and to plan, monitor and manage the achievement of its corporate management results (CMRs) and their corresponding operational and institutional support outcomes. The key outcomes are those bearing upon the conditions in which poor rural people themselves achieve food security and overcome poverty (i.e. effective national policy, harmonization, programming, institutional and investment frameworks for rural poverty reduction; and supportive global resource mobilization and policy framework for rural poverty reduction). These are IFAD's development outcomes: its mandate. In turn, the achievement of these outcomes is underpinned by IFAD's effectiveness in organizing itself efficiently (an effective and efficient management and institutional service platform at headquarters and in-country for achievement of operational results), and in providing the conditions for the optimal functioning of its high-level guidance mechanisms – its governing bodies.

Table 2
Outcomes, results and processes

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

III. The programme of work for 2010

9. IFAD's impact largely reflects two factors: the provision of loan and grant assistance under the programme of work; and the application to loans and grants of the value-adding processes financed under the administrative budget.
10. The programme of work for 2010 is the first instalment in the delivery of the US\$3 billion in loans and grants in 2010-2012 called for in the Eighth Replenishment report, nearly a 50 per cent increase over the volume delivered in the Seventh Replenishment period (see table 3). IFAD proposes to commit these resources flexibly over the period, 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.

Table 3

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

11. The overall framework for allocation of the programme of work 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.
12. Within the framework of the PBAS, Strategic Framework and country strategies – and subject to availability of resources (see annex I) and the caveat regarding flexibility – IFAD proposes an indicative programme of work of US\$748 million for loans and Debt Sustainability Framework (DSF) grants in 2010, to be delivered through 35 to 40 projects and programmes (tables 4 and 5). Compared with the Seventh Replenishment period, this involves a significant planned increase in the average value of loans and DSF grants per project/programme in each country in which IFAD operates, and reflects both the growing 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.
13. An additional US\$52 million would be committed for grants through the global/regional and country-specific windows governed by the IFAD Policy for Grant Financing as is being proposed for amendment in document EB 2009/98/R.10.

Table 4

Indicative programme of work of loans and grants

(Millions of United States dollars)

	<i>2008</i>	<i>2009</i>	<i>2010</i>
Loans and DSF grants	607.8	668.5	748
Grants	42.2	46.5	52

Table 5

Number of projects

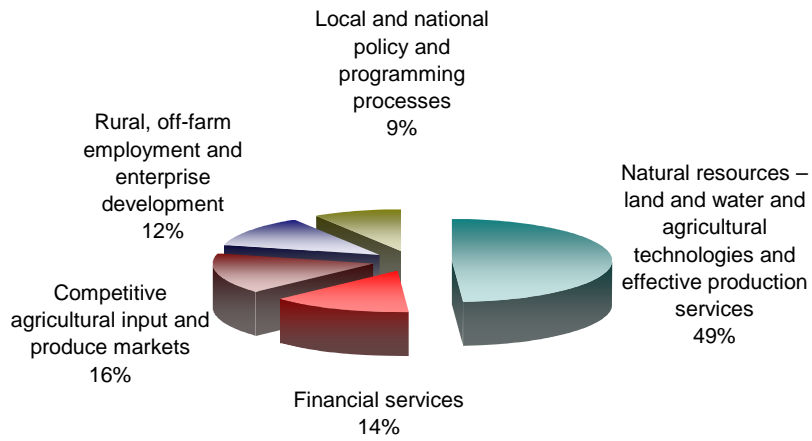
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Projects planned	34	36	35-40
Projects approved	30	n.a.	n.a.

Note: n.a.: Not available

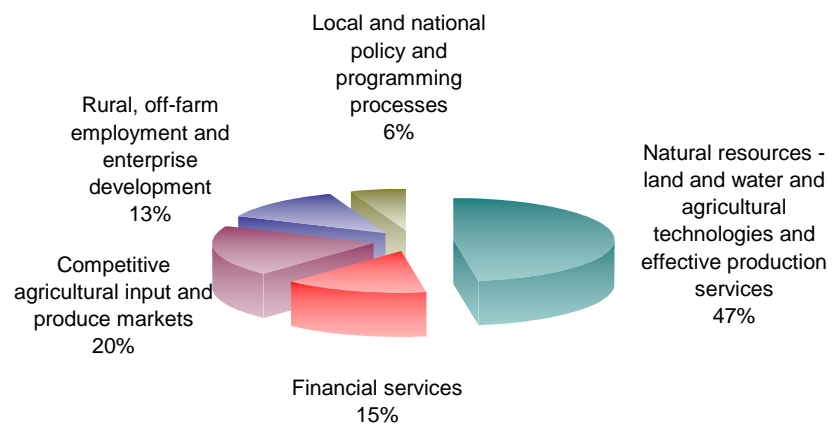
14. An indicative list of projects (including reserve projects) under development for approval in 2010 is provided in annex II. Figure 1 presents the estimated distribution of the lending and DSF grant programme by the strategic thrusts articulated in the IFAD Strategic Framework: as in 2009, agricultural production technology and resource conservation and management (including climate change) will account for approximately half the total.

Figure 1
Planned distribution of lending and DSF grants by IFAD strategic thrust, 2009 and 2010

2009 estimated



2010 planned



IV. The administrative budget: results, outputs and costs

15. Within results-based budgeting, budget resources are allocated, in the first instance, to key results rather than to types of expenditure or administrative units, and the four results clusters presented in table 2 cover all of IFAD's activities and all of its annual budgetary resources, net of those included in the corporate cost centre budget line (see paragraph 44) and the capital budget.
16. In accordance with the instructions of the Governing Council, the PDFF is integrated into IFAD's administrative budget for the first time. Established in 2001, and itself integrating the resources previously provided to members on a grant basis for project development, the PDFF has been the financing mechanism for the majority of IFAD expenditures relating to programme and project development and implementation (including the financing of project supervision — originally by third-party cooperating institutions, but now overwhelmingly by IFAD itself). Table 6 indicates the evolution, in IFAD's total approved budgets, of the administrative budget and PDFF, the sum of which is the point of reference for assessing the new integrated administrative budget for 2010.

Table 6

Evolution of the approved levels^a of the administrative budget and the PDFF (Millions of United States dollars)

	2006	2007	2008	2009
Administrative budget	61.14	67.49	72.31	73.33
PDFF	30.44	33.66	38.78	41.98
Total	91.58	101.37	111.09	115.31

^a The EUR/US\$ exchange rate is 0.819 for 2006, 0.786 for 2007, 0.737 for 2008 and 0.79 for 2009.

A. Cluster 1 processes: country programme development and implementation

17. Cluster 1 groups the processes most directly involved in optimizing the results of IFAD's programme of work 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. These processes, largely financed by the PDFF, were among the principal areas of IFAD's operations reformed during the Seventh Replenishment period under the Action Plan. Core elements of these changes included:
 - (a) Improved country programme planning, alignment and harmonization (under the Paris and Accra agendas³) through the adoption of results-based COSOPs);
 - (b) Improved project design through strengthened quality enhancement and a new arms-length quality assurance system;
 - (c) Internalization of project supervision through the implementation of direct supervision and upgrading the supervision skills of IFAD staff; and
 - (d) Expanded country presence, including the out-posting of country programme managers.
18. Correspondingly, a key dimension of activities under cluster 1 is deepening the implementation of reforms already adopted under the Action Plan to:

³ 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).

- (a) Ensure – through review and revision of the IFAD Strategic Framework – that operations are managed under an overall set of high-level policy guidelines that provide robust and relevant guidance within a very rapidly changing natural, economic, political and institutional environment;
 - (b) Improve knowledge management and communication capacities to capture and share innovation and strengthen technical and policy dialogue with internal and external partners;
 - (c) Put the country presence programme on a firm corporate management basis (see results cluster 3 below);
 - (d) Strengthen country programme management and project design support for scaling up;
 - (e) Strengthen direct supervision results on the basis of an integrated and streamlined approach to the division of labour and collaboration across the different IFAD units involved (paying particular attention to adequate support for fiduciary responsibilities);
 - (f) Improve corporate management and oversight of the supervision process, including strengthened performance reporting, 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;
 - (g) Improve the accountability of IFAD to its country-level partners through a more systematic process of in-country validation of country programme performance and direction;
 - (h) Improve 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
 - (i) Reshape 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.
19. In light of the critical and direct role that this process cluster will play in delivering the greatly expanded programme of work over the Eighth Replenishment period and in raising the impact of projects as called for in the RMF, it is proposed that the resources allocated to it would rise by 7.5 per cent⁴ in real terms (see table 7) – to US\$72.92 million. This represents a continuation of the policy of seeking to increase the share of cluster 1 process expenditures in the newly integrated administrative budget (to 58.8 per cent), a shift that understates the level of real change because of the influence of the higher cost inflator attached to staff, which weighs more heavily on expenditures under clusters 2, 3 and 4.

Table 7

Proposed 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	72.92	10.7%	7.5%
Cluster 1 processes – share of total integrated administrative budget	57.1%	58.8%	1.7%	n/a

Note: n/a: not applicable

⁴ This is slightly higher than foreseen in the High-level preview, and reflects additional strengthening of the arms-length quality assurance mechanism anchored in the Office of the Vice-President.

20. It is planned that 13 COSOPs will be presented to the Executive Board, ensuring that all major country portfolios and targeted fragile states are covered by fully developed and discussed country strategies, and 35 to 40 projects and programmes will be presented 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 quantity and quality levels. CMR 1 and CMR 2, which together encompass activities related to the development of country programmes and project design, will account for approximately 65 per cent of the cluster 1 budget (see table 10).
21. A major dimension of operations under cluster 1 is IFAD's support to the implementation of projects: this is vital to achieving positive project outcomes. At 30 June 2009, 248 projects financed in whole or part by IFAD were either under or awaiting implementation (compared with 241 at the end of 2007 and 246 in 2008). Of the projects actually under implementation (210), 204 were under direct supervision, up from 128 at the end of 2007 (table 8). By mid-2009, the total value of IFAD loans and DSF grants for projects under or awaiting implementation stood at US\$4.2 billion (see table 9).

Table 8
Number of approved projects under or awaiting implementation

	<i>End 2007</i>	<i>End 2008</i>	<i>30 June 2009</i>
Under implementation	197	204	210
Awaiting implementation	44	42	38
Total	241	246	248
IFAD supervision	128	199	204
Cooperating institution supervision	113	47	44

Table 9
Value of approved projects under or awaiting implementation
(Millions of United States dollars)

	<i>End 2007</i>	<i>End 2008</i>	<i>30 June 2009</i>
Value of projects under implementation	3 230	3 443	3 555
Value of projects awaiting implementation	786	738	676
Total	4 016	4 181	4 231

22. Notwithstanding the limited quantitative expansion of the portfolio foreseen, the critical contribution made by project implementation support to improved project performance and impact, and the important role played by direct supervision in ensuring markedly better project at-completion performance (as documented in the ARRI), dictate that an increasing share of resources should be devoted to implementation and supervision – particularly as the challenge of strengthening project impact in difficult contexts is squarely addressed. As indicated in table 10, the total projected expenditure on support to project implementation (which combines expenditures under two headings of supervision and implementation support) is US\$25.74 million, some 35 per cent of the cluster 1 budget. Annex IV

presents aspects of IFAD's experience in taking over direct supervision responsibilities from third-party cooperating institutions.

Table 10

Distribution of the country programme development and implementation (cluster 1) budget by CMR
(Millions of United States dollars)

	<i>2010</i>	<i>Percentage</i>
CMR 1 - Better country programme management	26.26	36.0%
CMR 2 - Better project design (loans and grants)	20.92	28.7%
CMR 3 - Better supervision and implementation support	25.74	35.3%
Total	72.92	100%

23. A vital mechanism underpinning achievement of cluster 1 results is IFAD's country presence, which contributes to: engagement in aid alignment and harmonization at the country level; country-level policy dialogue and programming; project development; and project implementation support. IFAD is implementing a significant expansion of country presence in 2009 (from 17 to 27 countries), including increased outposting of country programme managers and the first outposting of a technical specialist (to Kenya). Only a small further expansion is proposed for 2010, involving five countries (see table 11).

Table 11
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	Brazil Burkina Faso China/Mongolia Colombia ^a Democratic Republic of the Congo/Congo Egypt Ethiopia ^a Ghana ^a Guinea ^a Haiti India Kenya ^a Madagascar Mozambique Nepal Nigeria Pakistan ^a Panama ^a Peru Rwanda Senegal ^a Sri Lanka ^a Sudan ^a Uganda United Republic of Tanzania ^a Viet Nam/Lao People's Democratic Republic ^a Yemen	Bolivia (Plurinational State of) Brazil Burkina Faso Cameroon China/Mongolia Democratic Republic of the Congo/Congo Egypt Ethiopia ^a Ghana ^a Guinea Haiti India Kenya ^{a b} Madagascar Mozambique Nepal Nigeria Pakistan ^a Panama ^a Peru ^a Philippines Rwanda Senegal/ Gambia (The) ^a Sri Lanka ^a Sudan ^a Uganda United Republic of Tanzania ^a Viet Nam/Lao People's Democratic Republic ^a Yemen Zambia
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.

24. The expansion of country presence in 2009 has involved changes in the way IFAD uses resources earmarked for country programme development and implementation, e.g. placing some headquarters staff in the field and expanding the number of nationally hired outposted staff rather than relying on internationally recruited headquarters staff and consultants, processes that will expand even further in 2010. From the perspective of both cost and impact on the achievement of country-level objectives, the experience of country presence operations has been positive. The main emphasis in 2010 will be on consolidating and integrating these operations into corporate management systems. Within the overall budget envelope for cluster 1, expenditure on country presence operations is planned to grow from US\$4.7 million in 2009 to US\$7.7 million in 2010 (see table 12), an increase that reflects an expansion of decentralized staff (including to handle a number of loan administration tasks) and the provision of a corporate framework that will put the decentralized workforce on a more regular footing (see paragraph 36).

Table 12
Indicative country presence allocations
 (Thousands of United States dollars)

	2009	2010
Country offices		
Western and Central Africa	495	1 498
Eastern and Southern Africa	987	2 838
Asia and the Pacific	576	795
Latin America and the Caribbean	1 061	887
Near East and North Africa	609	735
Total country offices	3 728	6 772
New country office initiatives	375	505
Proxy presence ^a	623	460
Total country presence	4 726	7 737

^a 2009 proxy presences were brought under IFAD's regular country presence.

25. IFAD is committed to avoiding high overheads and office establishment expenses in its country presence operations. Country presence offices are therefore typically housed in the facilities of other United Nations agencies and supported administratively by the United Nations Development Programme or another United Nations agency.

B. Cluster 2 processes: high-level policy dialogue, resource mobilization and strategic communication

26. The food price crisis that unfolded in 2008 generated unprecedented national and international concern with accelerating agricultural development and strengthening the smallholder position within it. Cluster 2 processes will address this international thirst for better direction of agricultural policy and investment, and support the mobilization and channelling of assistance for agricultural development and smallholder production (including through scaling up). Specifically, cluster 2 is focused on achieving better inputs into global policy dialogues for rural poverty reduction (CMR 8) and increased mobilization of resources for rural poverty reduction (CMR 10).
27. 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 add value to international policy dialogue by contributing knowledge, experience and insight arising from IFAD-supported programmes, and by bringing the points 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 the IFAD Strategic Framework, including access to natural resources and markets.

Table 13

Proposed 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	8.99	4.4%	0.8%
Cluster 2 processes – share of total integrated administrative budget	7.5%	7.2%	(0.3)%	n/a

Note: n/a: Not applicable

28. In the context of the thrust towards concentrating more resources in the area of direct, country-level development operations, the resources allocated to high-level policy dialogue, resource mobilization and strategic communication would rise in real terms in 2010 by less than 1 per cent,⁵ and their share in the newly integrated administrative budget would fall to 7.2 per cent (see table 13). Taking into account both the increased demand and opportunity for IFAD's high-level engagement in policy dialogue and the zero real growth policy for the budget of cluster 2, the emphasis will be on:
- Fewer, but more strategic and intense, engagements in thematic areas and forums where IFAD has material and recognized value to add;
 - Leveraging of strategic partnerships in areas where IFAD has significant gaps in knowledge or analysis; and
 - Improved cross-departmental synergies for knowledge management and advocacy.
29. 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 rules; and gender equality and the rights of indigenous peoples. The Fund will continue to invest in strengthening the capacity of organizations of poor rural people to engage effectively in international and regional policy-making processes.
30. IFAD's international engagement will include advocacy for increases in official development assistance, including support for the High-Level Task Force (HLTF) on the Global Food Security Crisis (whose secretariat's Rome hub is housed in IFAD). It will also include deliberations on IFAD's Eighth and Ninth Replenishments, and 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 management of development activities in fragile states), IFAD will review its approach to supplementary funding. This will include options in the organization and management of such funds (e.g. the Multi-Donor Trust Fund approach adopted by the World Bank), given the difficulties experienced by IFAD and all other IFIs in managing small and fragmented funds cost-effectively.
- C. Cluster 3 processes: corporate management, reform and administration**
31. Cluster 1 and 2 processes are directed towards IFAD's external environment and factors bearing on poverty within it. Cluster 3 processes are internally oriented – towards ensuring that the front-line processes are provided with the right resources in the right form and in the right place to achieve IFAD's development objectives.

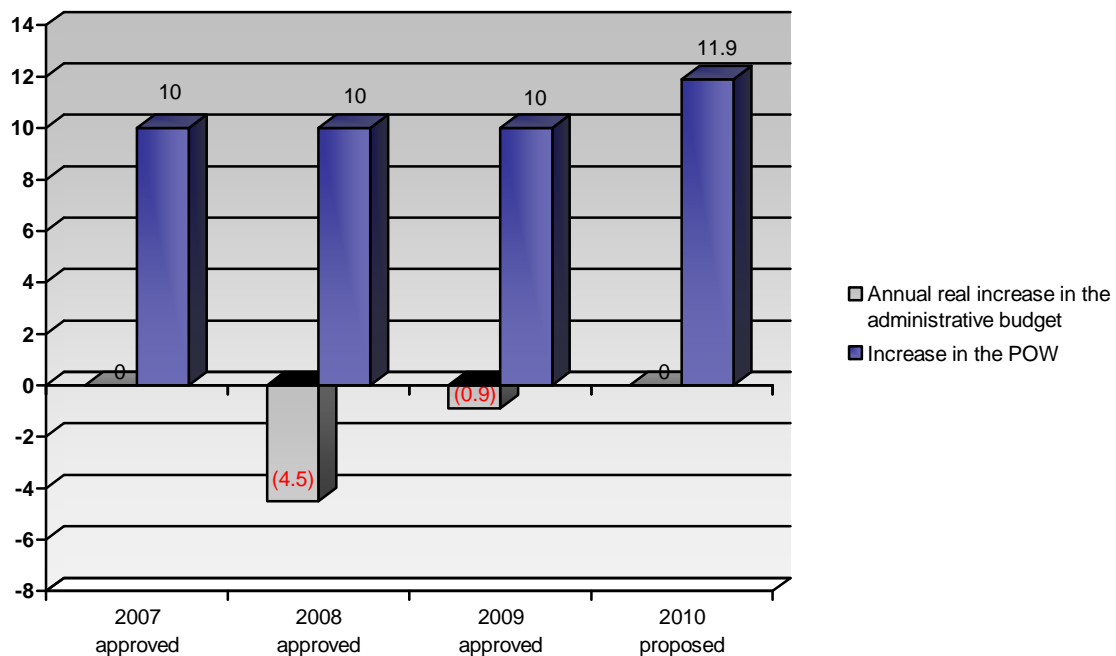
⁵ The high-level preview proposed aggregate real growth in expenditure in clusters 2, 3 and 4 of 0 per cent. The aggregate increase proposed in this document is 0.2 per cent.

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 information-and-communications technology (ICT) environment (CMR 7). The implication of this supportive role with regard to other clusters – and especially cluster 1, which is by far the largest consumer of resources in IFAD – is that the volume of work in cluster 3 varies with the programme of work. The relation is not 1:1, but is positive, and in some areas the correlation is very strong.

32. Since 2007, overall real budget growth in the administrative budget has been negative – during a period in which the programme of work rose by an average of 10 per cent per year. The real administrative cost per dollar of loan and grant committed has fallen consistently (see figure 2), and in the Finance and Administration Department (FAD), in which many of these processes are anchored, the planned staffing level has been falling despite the higher volume of activities arising from the expanded programme of work (see table 14).

Figure 2

Evolution of the programme of work and the real administrative budget
(Percentage)



Note: POW: programme of work

Table 14

Budgeted staffing levels in the Finance and Administration Department
(Full-time equivalents [FTEs])

	2007	2008	2009
Budgeted FTEs	146.4	142.1	137.6

33. In line with the policy of improving administrative efficiency and continuing to absorb the increase in workload without an increase in real resources, it is proposed that the cluster 3 budget in 2010 remains approximately the same in real terms as in 2009,⁶ representing for the first time slightly less than a quarter of the administrative budget as a whole (see table 15), and involving a further reduction of staff in this area (see table 27).

Table 15

Proposed 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	30.35	2.30%	(0.9)%
Cluster 3 processes – share of total integrated administrative budget	25.7%	24.5%	(1.2)%	n/a

Note: n/a: Not applicable

34. The improvements targeted in the cluster 3 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.
35. 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 quality and effectiveness of management while reducing the unit costs of administrative transactions.
36. Priority support to country programme development and implementation 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 the "one IFAD – one workforce";
 - (iii) A streamlined ICT-based process for consultant recruitment and management (consultant 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 and implementation data, and knowledge exchange, including access of decentralized staff to corporate knowledge and management systems.

⁶ The slight decrease in the real level of Cluster 3 expenditures reflects reclassification of certain Governing Council costs from the Cluster 3 to the Cluster 4 budget, which increases correspondingly.

- (b) Developing new financial products and terms to support the differentiation of programme approaches by development context (e.g. middle-income countries and fragile states).
37. The key measures for better results and risk management (CMR 6) will be to:
- (a) Give greater coherence and integration to planning and performance management by introducing a corporate medium-term planning on the basis of results clusters and their corresponding corporate management results - promoting inter-departmental/divisional coordination under the rubric of working as one;
 - (b) Promote the risk management (identification and mitigation) system to a pillar of corporate management, including management of internal coordination and alignment issues - with robust internal controls over financial reporting in place; and
 - (c) Implement a comprehensive business continuity plan and infrastructure.
38. The key measures for better financial resource management (CMR 4) will be to:
- (a) Implement changes in IFAD's investment policy on the basis of the 2009 investment policy review, strengthening financial asset risk monitoring and management, including revision of IFAD's liquidity policy;
 - (b) Increase the reliability and efficiency of loan and grant payments through the implementation of a modern ICT-based loan and grant system; and
 - (c) Integrate supplementary fund and capital budget management into corporate results-based budgeting.
39. The key measures for better human resource management (CMR 5) will be to:
- (a) Implement 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) Implement the accelerated programme of recruitment, deployment and severance necessary to make the strategic workforce plan operational; and
 - (c) Implement the human resource reform programme agreed with the Executive Board, including the Voluntary Separation Programme, learning and development, and performance management.
40. Key contributions to better administrative efficiency and an enabling work and ICT environment (CMR 7) – which must focus on efficiency in IFAD's high unit labour cost regime – will include:
- (a) Identifying existing services to be scaled back or discontinued;
 - (b) Reviewing, redesigning and streamlining staff intensive processes, and examining outsourcing/offshoring options;
 - (c) Improving the ICT platform to reduce the manual component of processes (in, for example, financial and human resource transaction processing);
 - (d) More aggressively developing and using inter-agency collaboration in, for example, procurement and resource management; and
 - (e) Ensuring fuller and more effective use of physical infrastructure.

D. Cluster 4 processes: support to Members' governance activities

41. IFAD's governing bodies play an essential role in supporting the Fund's primary activities, including operations, its international policy dialogues, and its support for resource mobilization for agricultural development and rural poverty reduction. cluster 4 processes involve ensuring that:
- Member State representatives are provided relevant and comprehensive background information to make certain that their expertise is best used to support IFAD's primary activities;
 - 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
 - IFAD provides active, regular and responsive support to Member States' needs, including – but not limited to – the relationships these create with both Rome-based and other government officials.
42. In addition, in 2010 IFAD will:
- (a) Upgrade its induction programme for Executive Board Directors based on best practices, lessons learned and the Directors' stated needs;
 - (b) Provide a web-based interactive platform for Member State representatives so that they can 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 other officials of select States that are not Members of IFAD;
 - (d) Create effective contact lists and detailed contact databases to support stronger relationships among all parties and to engage emerging donor countries;
 - (e) Contribute to the preparations of the 2011 mid-term review of IFAD's Eighth Replenishment; and
 - (f) Review the structure of Governing Council sessions to determine additional recommendations that will strengthen these and other forums, and thus promote effective and cost-effective information-sharing among all parties involved in advancing IFAD's mandate.

Table 16

Proposed 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	9.96	6.8%	3.1%
Cluster 4 processes – share of total integrated administrative budget	8.1%	8.0%	(0.1)%	n/a

Note: n/a: Not applicable

43. Net of the reclassification of certain expenditures from cluster 3 to cluster 4 (see paragraph 57, footnote 8), the proposed real budget for 2010 for cluster 4 processes is approximately the same as that for 2009, representing 8 per cent of the total administrative budget (see table 16). This will involve covering an expanded workload (reflecting the increase of the programme of work as well as such innovations as the mid-term review of the Eighth Replenishment) without an expansion of resources, an objective requiring further rationalization of workflows

and implementation of the improved ICT platform for document management provided for under IFAD's capital budget.

V. Financial parameters of the administrative budget as a whole

The administrative budget at a constant exchange rate

44. Stated at the exchange rate used for the 2009 budget (i.e. EUR 0.79/US\$1.00) to facilitate comparison with the 2009 administrative budget and PDFF, and to maintain consistency with the presentation made in the high-level preview discussed with the Executive Board in September 2009, the proposed overall level of the comprehensive administrative budget for 2010 is slightly lower than the estimate provided in the high-level preview at US\$124.04 million, compared with US\$115.31 million in 2009 for the administrative budget and the PDFF combined. As indicated in table 17, this increase of 7.6 per cent in nominal terms is equivalent to a 4.4 per cent real increase and a 3.2 per cent cost increase. The overall real increase of 4.4 per cent is almost entirely accounted for by a proposed 7.5 per cent real increase in funding for cluster 1 (country programme development and implementation) in response to the requirements of delivering the expanded programme of work – with a close-to-zero real increase in the combined budgets of the other clusters. Correspondingly, the share of cluster 1 in the newly integrated administrative budget is planned to increase, with a decrease in all other clusters.

Table 17
Cluster process budgets, 2010 and 2009 (remapped)
(Millions of United States dollars)

Cluster	2009	2010	Percentage nominal change	Percentage real change ^a
1. Country programme development and implementation	65.89	72.92	10.7%	7.5%
2. High-level policy dialogue, resource mobilization and strategic communication	8.61	8.99	4.4%	0.8%
3. Corporate management, reform and administration	29.68	30.35	2.3%	(0.9)%
4. Support to Members' governance activities	9.33	9.96	6.8%	3.1%
Corporate cost centre	1.80	1.82	1.1%	0.0%
Total	115.31	124.04	7.6%	4.4%

^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.

45. Overall, 66 per cent of the newly integrated administrative budget is dedicated to operations bearing directly on development impact, 8 per cent is dedicated to supporting the work of the governing bodies, and 25 per cent to corporate management, reform and administration (see table 18). Meaningful budget comparisons among organizations are extremely difficult because differences in business models give rise to different ways of classifying and allocating costs. However, IFAD's budget breakdown of operational and non-operational costs is broadly comparable to other IFIs (e.g. the World Bank).

Table 18
Distribution of the administrative budget by cluster
(Millions of United States dollars)

<i>Cluster</i>	<i>Percentage of combined PDFF and administrative budget 2009</i>	<i>Percentage of administrative budget 2010</i>
1. Country programme development and implementation	57.1%	58.8%
2. High-level policy dialogue, resource mobilization and strategic communication	7.5%	7.2%
3. Corporate management, reform and administration	25.7%	24.5%
4. Support to Members' governance activities	8.1%	8.0%
Corporate cost centre	1.6%	1.5%
Total	100%	100%

46. Under the administrative budget, IFAD maintains a corporate cost centre to cover expenditures that respond to obligations not easily allocable to any particular department or cluster as an annual operating cost. Items included, and estimated costs for 2010, are costs of the After-Service Medical Coverage Scheme (US\$765,000); depreciation charges to the administrative budget arising from capital expenditures authorized under the capital budget (US\$609,000); external audit fees (US\$233,450); maternity/paternity leave (US\$115,000); and contingency (US\$100,000). The total allocation to this cost centre in 2010 is US\$1.82 million.
47. The total nominal level of the administrative budget includes the effects of the real increase, and anticipated inflation. Adjustments for inflation in the budget estimates are based on a composite cost inflator reflecting estimated annual price increases in 2010 for two types of cost: staff and non-staff (see table 19 for distribution of the proposed administrative budget for 2010 by staff and non-staff costs). Pending the outcome of the proposed study and consultation with the Executive Board to identify options for IFAD to establish greater independent control over staff unit costs, the staff cost inflator has been estimated, in close consultation with the Food and Agriculture Organization of the United Nations (FAO), on the basis of the calculation of the cost of the International Civil Service Commission recommendations. For 2010, staff cost inflation is estimated at 4.1 per cent, reflecting a rise in the cost of entitlements such as medical insurance (see annex VIII for a detailed analysis). Based on the European Central Bank inflation target of below, but close to 2 per cent, the non-staff cost inflation factor for 2010 is estimated at 1.5 per cent, yielding a corporate composite inflation factor of 3.2 per cent.

Table 19
Administrative budget: staff and non-staff costs
(Millions of United States dollars)

<i>Year</i>	<i>Staff cost</i>	<i>Non-staff cost</i>	<i>Staff cost (percentage)</i>	<i>Non-staff cost (percentage)</i>
2008	63.29	44.03	59%	41%
2009	66.13	49.18	57%	43%
2010	73.29	50.75	59%	41%

Note: The exchange rate of EUR 0.79/US\$1.00 has been used in the above table.

48. Within the framework of results-based budgeting, resources will be allocated to departments on the basis of their participation in the different cluster processes. The Programme Management Department (PMD) will receive 88 per cent of the real budget increase for 2010 (see table 20), reflecting the fact that the funding increase is exclusively in the cluster 1 area, and that PMD is responsible for the vast majority of activities within it. As indicated above in footnote 4, the Office of the President and the Vice-President (OPV) will receive 9 per cent of the increase, including to finance the strengthening of the quality assurance system. Table 21 provides an overview of the distribution of the administrative budget among departments in nominal terms, for 2010 and 2009.

Table 20

Allocation of the real increase for 2010 in the results cluster 1 budget
(Millions of United States dollars)

<i>Department</i>	<i>Millions of United States dollars</i>	<i>Real increase</i>	
		<i>Percentage increase</i>	
Programme Management Department	4.42	88.0%	
Finance and Administration Department	0.15	3.0%	
External Affairs Department	(0.1)	(0.2)%	
Office of the President and the Vice-President	0.46	9.2%	
Total	5.02	100%	

Table 21

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

<i>Department</i>	<i>2009</i>	<i>2010</i>	<i>Percentage nominal change</i>	<i>Percentage real change</i>
Programme Management Department	60.67	66.93	10.3%	7.3%
Finance and Administration Department	28.51	29.55	3.6%	0.5%
External Affairs Department	17.93	18.61	3.8%	0.0%
Office of the President and the Vice-President	6.40	7.13	11.4%	7.2%
Corporate cost centre	1.80	1.82	1.1%	0.0%
Total	115.31	124.04	7.6%	4.4%

The administrative budget adjusted for exchange rate movements

49. Although IFAD's administrative budget is stated in United States dollars, a large part of its expenditures are either in euro (e.g. General Service staff salaries and most headquarters non-staff expenses) or in dollar values linked to the euro-dollar exchange rate (e.g. a significant part of Professional staff remuneration). Consequently the dollar cost of planned expenditures is greatly affected by variations in the euro-dollar exchange rate. For example, a decline of the dollar against the euro will automatically increase the dollar value of planned expenditures made in euro, and therefore change budget requirements. In recognition of the need to insulate the resources available to IFAD to support its programme of work from the effects of currency fluctuations, the Governing Council has authorized

IFAD to restate its budget at the end of each year to reflect the prevailing actual average euro-dollar exchange rate for the year.

50. Notwithstanding this restatement facility, IFAD seeks to provide the Executive Board and the Governing Council with its best estimate of the nominal dollar value of the administrative budget, taking into account exchange rate movements. The administrative budget approved for 2009 was determined on the basis of an exchange rate of EUR 0.79/US\$1.00, and the budget tables for 2010 were prepared on the same basis to make clear the level of real changes requested and the impact of price inflation. Over the course of 2009, the euro-dollar exchange rate has fluctuated quite widely both above and below the reference level of EUR 0.79/US\$1.00, but a strengthening trend in the euro relative to the dollar has emerged in recent months. Correspondingly, in line with the current exchange rate and the rate applied by FAO in its own budget documents, it is proposed that the exchange rate of EUR 0.72/US\$1.00 should be used for the calculation of the nominal value of the IFAD administrative budget for 2010, and that budget allocations to the different results clusters and departments should be in the same proportion as in the administrative budget for 2010 as calculated and presented here on the basis of a stronger dollar. Should the prevailing exchange rate vary decisively from this rate, the eventual budget recommendation to the Governing Council would be revised accordingly. As indicated in table 22, the nominal value of the 2010 administrative budget would be US\$131.99 million. Table 23 also indicates the contributions made by real increases, inflation and exchange rate movements to changes in the budget level.

Table 22
Administrative budget
(Millions of United States dollars)

	2009 @ EUR 0.79/US\$1.00	2010 @ EUR 0.79/US\$1.00	2010 @ EUR 0.72/US\$1.00
Administrative budget ^a	115.31	124.04	131.99

^a For 2009, the administrative budget represents the sum of the administrative budget and the PDFF.

Table 23
Composition of nominal increase in the administrative budget for 2010
(Millions of United States dollars)

	2009	Real increase	Price increase	Exchange rate increase	2010
Administrative budget ^a	115.31	5.02	3.71	7.95	131.99
Contribution to the increase	100%	4.4%	3.2%	6.9%	114.5%

^a For 2009 the administrative budget represents the sum of the administrative budget and the PDFF.

The efficiency ratio

51. In the RMF for the Eighth Replenishment, a new corporate efficiency measure was introduced, along with the target to be achieved by 2012. The efficiency ratio measures the relation between the planned programme of work and the administrative budget each year. Principally because of the Fund's smaller size and the relatively larger number of projects it finances from a relatively small programme of work, IFAD's efficiency ratio has been higher than that of major IFIs.⁷ The target for 2012 is that the administrative budget would not exceed 13.5 per cent of the programme of work, a target that would involve approximately halving the difference between IFAD's efficiency ratio and the best performers in

⁷ Over the period 2006-2008, the operations of the World Bank, the Asian Development Bank and the African Development Bank that were comparable to those of IFAD showed an efficiency ratio that fluctuated between 8 and 12 per cent.

the IFI community. Under the proposed budget, and at a constant exchange rate, the efficiency ratio for 2010 would be 15.5 per cent, down from 16.1 per cent in 2009. However, at the value of the administrative budget stated at the exchange rate of EUR 0.72/US\$1.00 the nominal efficiency ratio is 16.5 per cent (see table 24). This underlines the difficulties experienced by IFAD in translating real efficiencies into nominal efficiencies in a situation in which the dollar value of the budget is driven upwards less by real changes than by the depreciation of the reporting currency.

Table 24

Evolution of the ratio between the administrative budget and the planned programme of work
(Millions of United States dollars)

	2007	2008 ^a	2009	2010	
				@ EUR 0.79/US\$1.00	@ EUR 0.72/US\$1.00
Nominal administrative budget ^b	101.37	112.89	115.31	124.04	131.99
Nominal planned programme of work	605.00	650.00	715.00	800.00	800.00
Efficiency ratio	16.76	17.37	16.13	15.51	16.50

^a The 2008 administrative budget includes US\$1.8 million for the Eighth Replenishment.

^b For the years 2006 to 2008, the administrative budget represents the sum of the administrative budget and the PDFF.

VI. Budget utilization and carry-forward

52. Consistent with the regular and significant growth of the programme of work against the background of lower increases in real resources for country programme development and implementation and the zero and negative growth of real resources for other operations, the level of budget utilization has been high. Under the administrative budget, the carry forward before restatement of the budget at year-end (to reflect variance between the actual euro-dollar exchange rate for the year and the exchange rate used for estimating the budget) has been a very small percentage of the approved budget (see table 25).
53. Administrative budget resources carried forward are subject to the provisions made by the Governing Council in 2004, i.e. a facility for carrying forward unspent balances on the annual administrative budget up to the level of 3 per cent of the approved amount (as subject to restatement to reflect exchange rate variation from estimates).

Table 25

Administrative budget utilization
(Thousands of United States dollars)

	2006	2007	2008
Approved budget	65 943	73 179	72 305
Surplus before restatement	905	(3 058)	930
Percentage surplus before restatement	1.37%	(4.18)%	1.29%
After restatement and carried forward	2 256	1 238	2 276

54. The PDFF was explicitly approved by the Governing Council as a financing mechanism for country programme development and implementation activities. Unlike the administrative budget, the PDFF specifically envisaged that the expenditures it covered (e.g. for development of individual projects) would not necessarily or even normally occur in the same year as the commitment was made. Consequently, the PDFF has no cap on carry-forward of unspent balances on authorized expenditures from year to year. Table 26 presents data on the PDFF

carry-forward as a percentage of the approved PDFF budget for the period 2006-2009.

55. In the 2010 budget, the PDFF is integrated into the administrative budget, and expenditures for country programme development and implementation, formerly provided for under the PDFF, will be provided for under cluster 1. Given the multi-year nature of these expenditures, which remains the same regardless of whether they are costed under the administrative budget or the PDFF, and in the light of actual experience under the PDFF, it is proposed that the 3 per cent carry-forward facility applied to the "old" administrative budget should continue to be applied to the budgets of clusters 2, 3 and 4, but that a separate 6 per cent carry-forward facility should be established for cluster 1.

Table 26

PDFF carry-forward

(Thousands of United States dollars)

	2006	2007	2008
Approved PDFF	30 444	33 876	38 781
Carry forward ^a	3 927	2 256	3 437
Percentage of approved PDFF	7.75%	15.02%	11.28%

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

VII. Staffing

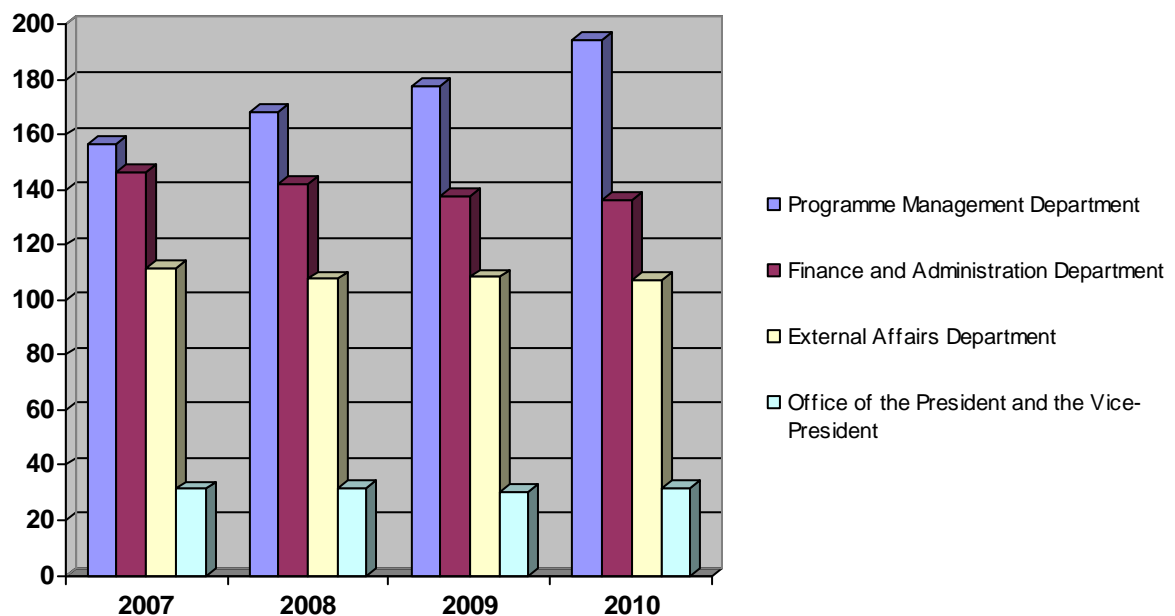
56. Improving resource use, both financial and human, is critical to improving IFAD's efficiency and ensuring its capacity to deliver significantly expanded results, not least because of zero-growth budget conditions in clusters 2, 3 and 4. Of fundamental importance to this will be implementation of a corporate medium-term plan (2010-2012) and the related strategic workforce plan under the working as one initiative. Both will contribute to reducing process redundancy and replication.
57. The overall staffing level has been tightly managed to deliver a constantly rising volume of work with the same or fewer staff in all areas – except for the programme area, which has grown to achieve the expanded volume and enhanced quality targets of the Seventh Replenishment. Against the background of an average annual programme of work increase of approximately 10 per cent, IFAD's budgeted staffing level increased at an average of less than 1 per cent per year in 2007-2009. This very small overall increase obscures important internal staff realignment to reflect the emphasis on strengthening country programme and project operations and to achieve efficiencies in other areas. Thus between 2007 and 2009, the PMD staffing level rose by over 13 per cent, while the FAD, the External Affairs Department (EAD) and the OPV level fell. In 2010, the overall staffing level is planned to increase by 3.2 per cent, with the increase almost exclusively in PMD (involving 16.5 full-time equivalent staff positions).⁸ In the PMD expansion, 80 per cent will be at the country presence level, with only a very small increase at headquarters in Rome. Table 27 and figure 3 present the evolution of the staffing level and its distribution by department. The overall ratio of General Service staff to Professional staff in IFAD, excluding short-term staff, is 0.82:1, of which 0.53:1 in PMD; 1.08:1 in EAD; 1.26:1 in FAD; and 0.72:1 in OPV. Annex XI presents staffing data in greater detail according to category of staff.

⁸ The nominal increase in staff in OPV reflects a transfer of budget responsibility for staff already working under OPV supervision in 2009 and before.

Table 27
Budgeted staffing level
 (Full-time equivalents)

	2007	2008	2009	Percentage change 2007-2009	2010	Percentage change 2009-2010
External Affairs Department	111.8	107.7	108.4	(3.0)%	107.4	(0.9)%
Finance and Administration Department	146.4	142.1	137.6	(6.0)%	136.2	(1.0)%
Office of the President and the Vice-President	31.3	31.9	30.3	(3.2)%	31.8	5.0%
Programme Management Department	156.8	168.4	178.1	13.6%	194.6	9.3%
Total	446.3	450.1	454.4	2.0%	470.0	3.4%

Figure 3
Budgeted staffing level
 (Full-time equivalents)



58. The RMF provides a target of 65 per cent of IFAD's workforce in programmes by 2012. In the light of the implementation of cluster-based results and budget management, this equates to 65 per cent of the workforce being engaged in cluster 1 processes – country programme development and implementation. IFAD's workforce encompasses both staff and consultants. IFAD's expenditure on consultants for country programme development and implementation is very substantial, and a manageable measure for the size and distribution of the workforce as a whole is the total expenditure on staff and consultants. As indicated in table 28, the projected expenditure on staff and consultants in cluster 1 in 2010 is 62 per cent of the totalup from 55 per cent in 2008.

Table 28

Expenditure on workforce
(Millions of United States dollars)

	2008 (actual)	2009 (estimated)	2010 (projected)
Expenditure on workforce in Cluster 1	44.05	56.74	62.18
Expenditure on workforce in other clusters	36.72	36.61	38.80
Total expenditure on workforce	80.77	93.35	100.98
Percentage of expenditure on workforce engaged in cluster 1	55%	61%	62%

59. Through the reform initiative launched under the Action Plan, IFAD has been implementing important human resource management changes, and these are essential to its achieving its operational and institutional support objectives. Since expenditure on staff constitutes the major expenditure item in IFAD's budget, the issue is not only productivity but cost. By virtue of its orientation to the United Nations Common System, IFAD has been constrained in its management of staff unit costs (salaries, benefits and entitlements), and, in the course of 2010, it will review its options for increasing its ability to control them.

VIII. Capital budget

60. The capital budget was introduced in 2008, principally as the basis for investment in improved ICT systems that are essential to increasing IFAD's efficiency and effectiveness. Depreciation costs are charged to IFAD's administrative budget.
61. The strategy for the use of the ICT component of the capital budget is to provide a robust ICT platform for improved efficiency and process integrity in key business areas through five multi-year initiatives: better loan and grant administration (addressed through the Loan and Grant System [LGS] replacement project); better reporting and management for country programme development and implementation (through the "Delivering as One" initiative); better human resource management and administration; greater institutional efficiency; and a more robust IT infrastructure. It is anticipated that IFAD will seek further capital investment in these areas each year as institutional priorities develop and key requirements are better understood.
62. The eventual need for significant capital investments in IT to support IFAD's process streamlining and efficiency drive may be considerable. The lessons learned in IFAD and elsewhere however are clear: investment in IT solutions should follow or be part of business process reform. It should not precede reform, and it should not substitute for it. Consequently, rather than increasing capital budget commitments in 2010, IFAD proposes to contain the level of new commitments pending the outcome of planned business process reviews, particularly those bearing on administrative efficiency, and to reallocate resources arising from cost savings from projects already approved but whose objectives have been met without the foreseen need for capital investment (i.e. travel and expense processing automation and the PeopleSoft upgrade). The total capital budget proposed for 2010 is US\$3.53 million (compared with US\$4.01 million in 2009).
63. Since 2008, the total resources approved under this heading is slightly over US\$6 million, with the level of expenditure by the end-2009 projected to be slightly over US\$3.3 million. The relatively low initial rate of expenditure has reflected the imposition of strict conditions for the release of approved project budgets associated with the policy of charging depreciation to the administrative budget (starting at project completion).

Table 29

Capital budget: resources approved, allocated, committed and proposed

(Thousands of United States dollars)

<i>Initiative</i>	<i>Project</i>	<i>Approved</i>	<i>Allocated</i>	<i>Committed</i>	<i>Available</i>	<i>Percentage utilization of allocated</i>	<i>Percentage utilization of approved</i>	<i>2010 proposed</i>
IT Projects 2008-2010								
Loans and grants	LGS replacement	1 760	710	391	319	55%	22%	2 000
Human resources reform	Administer consultants	675	675	435	240	64%	64%	
	Workforce planning/e-recruitment	-	-	-	-	-	-	400
Institutional efficiency	Travel and expenses	166	166	-	166	-	-	
	PeopleSoft upgrade	390	390	-	390	-	-	
	Document production management	300	-	-	-	-	-	
	Business intelligence	-	-	-	-	-	-	270
	CIAO replacement – interactive architecture	-	-	-	-	-	-	200
Delivering as One	Direct supervision/project design	200	200	56	144	28%	28%	300
	Knowledge management	240	240	67	173	28%	28%	
IT infrastructure	Desktop/laptop replacement	1 250	1 250	523	727	42%	42%	
	Business continuity/virtualization	550	508	366	142	72%	67%	360
Subtotal for IT projects		5 531	4 139	1 838	2 301	44%	33%	3 530
Non-IT projects 2008/2009								
Headquarters	Green certificate	150	150	66	84	44%	44%	
	External parking	400	100	61	39	61%	15%	
Subtotal for non-IT projects		550	250	127	123	51%	23%	
Total		6 081	4 389	1 965	2 424	45%	32%	

64. Table 29 presents information on funds and projects already approved, their level of utilization, and additional funding proposals for 2010:
- (a) **Loan and Grant System (LGS) replacement** (proposed 2010 allocation: US\$2 million). This is one of IFAD's most sensitive IT and process reform initiatives, involving a key business process: tolerance for failure is zero. Consequently, following an initial assessment of make versus buy options, IFAD decided to explore in greater depth the various options during 2009 with broader stakeholder participation. As a result, a request for quotation was sent out leading to presentations by vendors and followed by tests under IFAD scenarios to assess the suitability of the different products. A decision on the approach to be followed is expected by the fourth quarter of 2009, and important expenditures are foreseen for 2010, which would be met by the proposed funding of US\$2 million in the 2010 capital budget, an unspent balance of approximately US\$1.3 million under previous capital budgets, and, potentially, a reallocation from resources allocated to two lower-priority projects, i.e. travel and expenses, and PeopleSoft upgrade. Given that the approach is not yet decided, IFAD would revert again to the Executive Board for additional resources under the capital budget should the resources foreseen to be available in 2010 prove insufficient;
 - (b) **Delivering as One initiative** (proposed 2010 allocation: US\$0.30 million) is designed to strengthen reporting and management for country programme development and implementation. Under this initiative, two essential online tools for the PMD have been developed and deployed namely, Online Project Status Reports (PSR) and Online Results and Impact Management System (RIMS). In addition, online "dashboards" have been developed and are currently at a testing stage. These dashboards leverage data from both PSR and RIMS databases as well as the corporate Project Portfolio Management System. In terms of knowledge management, the concept of unified repositories is gradually materializing. A project that integrates information and knowledge sources from the Content Management System, the Document Management System and the Electronic Records Management System is currently under way. Expenditure under the 2010 capital budget would go towards continued work on processes related to direct supervision, project design and knowledge management;
 - (c) **Human resources reform** (proposed 2010 allocation: US\$0.40 million). The first phase of the Administer Consultants project has been completed and production of a new electronic workflow for administering consultancy contracts was started in the third quarter of 2009. The electronic workflow will allow IFAD to discontinue the manual workflow based on the use of outdated index cards on which consultants' data were manually kept and the paper-based request for consultancy services form. In addition, the new workflow will speed up the processing of non-payroll contracts and increase the transparency of the end-to-end process both in the Human Resources Division and in the various recruiting divisions. In 2010, it is proposed that workforce planning and recruitment be put on a stable platform linked to core corporate IT and management systems;
 - (d) **Institutional efficiency** (proposed allocation US\$0.47 million). Of the three projects previously approved in this area, two are being reprioritized in the light of cost-benefit considerations. The third, relating to document production management, has been started after prolonged technical discussions on design and relation to business processes. In 2010, two new projects are proposed: one relating to better management of relations with IFAD stakeholders and the other to decentralized resource management. The Contact Information Available Online (CIAO) replacement project is intended to address the wider institutional needs related to customer relationship management through a corporate platform based on three pillars – contact

management, event management and capacity management – with built-in Web-based interactive functionality. The proposal for business intelligence involves purchase of user licenses for the manager/user front-end to IFAD's corporate databases, providing the basis for managers to respond to the requirement for much more effective monitoring and use of financial and human resources; and

- (e) **IT infrastructure** (proposed allocation US\$0.36 million). Under previous and ongoing projects, the replacement of desktop computers has been completed and the replacement of laptops is in progress. The new computers have provided enhanced performance and have allowed IFAD to pilot-test Office 2007 for greater collaboration and office productivity; full rollout is planned in conjunction with the deployment of laptops starting in the fourth quarter of 2009. A first project has enabled IFAD to redesign and re-implement its backup strategy as a further step towards business continuity. The new strategy has been designed to permit efficient offsite storage, optimizing the retrieving and restoring of back-up data in case of system malfunction or unintended/unauthorized deletion. A memorandum of understanding has been signed between IFAD and FAO for the offsite storage of IFAD backup tapes, and weekly procedures are in operation as of the fourth quarter 2009. In 2010, it is proposed that laptop replacement be completed, and that the business continuity initiative be deepened.

IX. Supplementary and complementary funds

65. Supplementary funds are provided under specific bilateral agreements with donors, and are reported here for information purposes. Table 30 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. A major development in 2009 is the growing importance of supplementary funding to cofinance project activities, often requiring major inputs of the time of both operational and administrative staff. This contrasts with the previous focus of supplementary funding, which augmented IFAD's operational capacities with specialized staff and consultants.

Table 30
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 (LGS)	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, consisting of two approved tranches of EUR 45 million and EUR 67.5 million for 2007 and 2008 respectively.

66. The costs of administering supplementary funds are substantial, not least because of fragmentation, small average size, and the special reporting and management requirements of individual donors. The shift towards the cofinancing type of supplementary funds is likely to increase cost pressures as greater operational support costs are added to administrative costs, and adequate coverage of actual

support and implementation costs under supplementary fund agreements is a rapidly emerging issue.

67. Administrative costs for the supplementary funds 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.⁹ 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 (see table 31).

Table 31

Estimated costs of administration of supplementary and complementary funds

(Thousands of United States dollars)

	2007	2008	2009
Estimated administrative cost incurred by IFAD	3 354	4 352	4 386

68. IFAD is currently reviewing its approach to the mobilization and management of supplementary funds with a view to streamlining and containing 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) and to expanding the platform they 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 (e.g. 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).

⁹ The relevant President's Bulletin determines either an upfront charge of 5 per cent of the total contribution plus complete interest retention, or, for specific cases (for example for donors who have a policy constraint on interest retention), an upfront charge of 10 per cent of the total contribution, with interest reverting back to the account or the donor, dependent on the agreement between the donor and IFAD. If the supplementary fund is greater than US\$6 million, a cap of US\$300,000 will be applied.

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

I. Background

69. This is the second year the Office of Evaluation (OE) has prepared a three-year rolling evaluation work programme and annual budget. In line with best practice in other evaluation outfits that follow a similar approach,¹⁰ this document contains the proposal for OE's three-year rolling work programme for 2010-2012 and budget for 2010.
70. Discussions took place on the preview of the OE three-year rolling work programme and resource issues during the Evaluation Committee's fifty-seventh session in July 2009 and the Executive Board's ninety-seventh session in September 2009. After further discussion with the Committee in October, OE's proposed three-year rolling work programme and budget will be submitted together with the administrative budget of IFAD for 2010 for consideration by the Audit Committee in November 2009. Thereafter, it will be discussed at the ninety-eighth session of the Board in December 2009.
71. This document has five sections. Section II presents a summary of OE's 2010 work programme and budget proposal. Section III contains a synthesis of OE's main achievements thus far in 2009 (with more information provided in annex XVII). Section IV presents the proposed priorities for 2010-2012, together with an account of the main evaluation activities the division plans to undertake (the full lists of evaluation work planned by OE for 2010 and for 2011-2012 are contained in annexes XIV and XV respectively). Section V outlines the proposed OE human and financial resources for 2010 required to implement its work programme in a timely manner. The tables in annex XIII contain the budget and human resources proposals for OE in 2010.

II. Summary of 2010 work programme and budget

72. At the request of the Executive Board and IFAD Management, among other activities, the proposed OE work programme for 2010 includes the undertaking of two key corporate-level evaluations (CLEs) to assess: (i) IFAD's approaches and results in promoting gender equality and women's empowerment; and (ii) the IFAD Private-Sector Development and Partnership Strategy. Initially, these evaluations were not both scheduled for 2010. Their timeframes have been determined in consultation with IFAD Management to ensure that evaluation findings and lessons can serve as building blocks for the preparation of the new IFAD policies on gender and on engagement with the private sector. Because these two CLEs need to be implemented in 2010, it has been necessary to reprioritize previously planned tasks, which will be discussed in section III.
73. Following the endorsement by the Evaluation Committee and the Executive Board of the preview of OE's three-year rolling work programme (2010-2012) and resource issues for 2010, OE made detailed cost estimates of the human and financial implications for next year. The resulting proposed OE budget for 2010 is around US\$6.2 million. This reflects a decrease in real terms of about US\$136,000 or 2.3 per cent compared with OE's 2009 administrative budget. The requested OE budget for 2010 is 0.78 per cent of the IFAD programme of work for next year, which is well below the cap (0.9 per cent) established by the Executive Board for the OE budget in December 2008. In addition, as agreed by the Executive Board

¹⁰ For example, see: (i) Proposed 2008-2010 Three-Year Rolling Work Programme and 2008 Budget of the African Development Bank's Operations Evaluation Department; and (ii) Work Program and Budget: Fiscal Year (FY) 2008 and Indicative Plan (FY 2009-2010) of the World Bank's Independent Evaluation Group.

during its September 2009 session, an additional amount of US\$50,000 is requested for the completion of the Peer Review of OE and IFAD's Evaluation Function in 2010. This requirement is reflected as a one-time cost below the line, which is consistent with the initial allocation for the same activity in the 2009 OE budget.

III. Achievements in 2009

74. OE had four priorities in 2009, which also took into consideration the need to satisfy the requirements of the IFAD Evaluation Policy and the terms of reference of the Evaluation Committee. Overall, OE expects to implement all the activities planned under the four established priorities by the end of 2009, with a few exceptions owing to delays¹¹ mostly beyond OE's control.
75. Under priority area (a) – selected corporate-level, country programme and project evaluations – the Office continued to work with the Operations Evaluation Department of the African Development Bank (AfDB) on the joint evaluation of the agricultural and rural development policies and operations implemented in Africa by the two organizations. The final joint evaluation report will be discussed by the Evaluation Committee and the Executive Board in December 2009. It will also be discussed by the Committee for Development Effectiveness and Board of Directors at the AfDB in Tunis, Tunisia.
76. OE will present the final report of the CLE of IFAD's capacity to promote pro-poor replicable innovations for rural poverty reduction to the Evaluation Committee and the Executive Board for discussion in April 2010. Both the CLE of IFAD's approaches and results in promoting gender equality and women's empowerment and the CLE of the IFAD Private-Sector Development and Partnership Strategy have been set under way.
77. A number of country programme evaluations (CPEs) were undertaken in 2009. OE completed CPEs in Mozambique and The Sudan. The India CPE is being finalized. Two other CPEs are under implementation in Argentina and the Niger, both of which will be completed in 2010. Finally, OE has launched the preparatory work for the Kenya and Yemen CPEs, which are planned for completion next year.
78. Following consultations with IFAD Management and in order to make space for the two above-mentioned CLEs in 2010 (see paragraph 72), it was agreed to postpone the previously planned Haiti CPE. It was also decided that for the time being OE will not undertake the China CPE, and that IFAD Management will instead conduct a comprehensive self-evaluation of the China country programme in 2010. The self-evaluation – to be undertaken in collaboration with the Government of China – will also enable the operations department to prepare and present the next country strategic opportunities programme (COSOP) to the Board in 2011. OE will provide inputs during the self-evaluation process, in particular by commenting on the approach paper and key deliverables such as the draft final report.
79. Five project evaluations were undertaken and completed this year in Benin, China, Ethiopia, Uganda and Yemen. The evaluation in the Dominican Republic will be finalized in early 2010 (see footnote 11).

¹¹ The exceptions are: (i) the project evaluation in the Dominican Republic is delayed 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, at the request of the Government of Argentina because of the recent flu epidemic in the country; and (iii) the final report on the African Development Bank (AfDB)-IFAD joint evaluation of the agricultural and rural development policies and operations implemented by the two organizations in Africa 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) implementing an evaluation with a high degree of "jointness"; (ii) 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 (iii) coordinating the dates related to the presentation of the draft final report to AfDB and IFAD governing bodies.

80. With regard to priority (b) – specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee – OE produced the seventh edition of the Annual Report on Results and Impact of IFAD Operations (ARRI), and in this context organized two learning workshops around the themes of Access to Markets, and Environment and Natural Resources Management.
81. So far in 2009, OE has organized five formal sessions of the Evaluation Committee, in April, June, July, September and October, in addition to an orientation session for new members. As agreed, OE will also organize the annual field visit of the Committee to India in December 2009, as part of the CPE in the country.
82. With regard to priority (c) – evaluation outreach and partnerships – OE continued to strengthen its engagement in various international evaluation platforms and processes, such as the Evaluation Cooperation Group (ECG) of the multilateral development banks and the United Nations Evaluation Group (UNEG). The partnership agreement (third phase) between OE and the Swiss Agency for Development and Cooperation (SDC) came into effect in April 2009. OE has undertaken some activities that will contribute to the development of its approach and involvement in evaluation capacity development (ECD). A short note on OE's proposed approach to ECD has been prepared and is currently being discussed with the Programme Management Department (PMD) before consideration by the Committee in December 2009 (see paragraph 102).
83. OE staff participated in selected in-house quality enhancement processes, such as the Operational Strategy and Policy Guidance Committee (OSC) meetings and country programme management teams, to ensure that lessons learned from evaluations are adequately internalized in the development of new IFAD policies, strategies and projects.
84. Under priority (d) – evaluation methodology and effectiveness of OE – the division rolled out the new Evaluation Manual, which has guided all project and country programme evaluations in 2009. Training on the new manual has been organized for all OE staff. A more systematic approach to internal peer reviews by OE has been introduced for all evaluations conducted in 2009. Moreover, as agreed with the Board last year, OE is now systematically hiring senior independent advisers (SIAs) for all higher-plane evaluations (corporate-level and country programme evaluations).
85. Another activity introduced is the Peer Review of OE and IFAD's Evaluation Function. This review will assess the quality of OE's products, methodology and processes, such as the Evaluation Policy, the self-evaluation function maintained by IFAD Management, and the role and functioning of the Evaluation Committee. The peer review is undertaken by the ECG and envisages the participation of the chairperson of UNEG. As agreed, the final peer review report will be presented for consideration by the Evaluation Committee and the Executive Board in April 2010.

IV. OE priorities for 2010-2012

86. OE proposes four priorities for the period 2010-2012, which include:
 - (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; and
 - (d) Evaluation methodology and effectiveness of OE.
87. These priorities take into consideration the requirements of the Evaluation Policy and the terms of reference of the Evaluation Committee, in addition to the contribution of evaluation work towards achieving selected IFAD corporate

management results (CMRs). OE's most direct contribution is to CMRs 1 and 2 (better country programme management and better project design) through its corporate-level, country programme and project evaluations, which constitute inputs into new corporate policies, country programmes and projects. As recognized and endorsed by the Executive Board, OE has made a greater effort to coordinate with IFAD Management to sequence evaluations with the development of new policies and COSOPs.

88. As a matter of principle, CPEs are selected only if they can be undertaken prior to the formulation of a new COSOP in the same country. Likewise, the Evaluation Policy requires that an interim project evaluation be conducted at the end of a project before embarking on a second phase of the same project or launching a similar project in the same region. The table below presents each OE priority and the corresponding CMRs it supports.

Contribution of evaluation work towards achieving IFAD's corporate management results^a

<i>OE priority areas</i>	<i>Contribution to CMRs</i>
A. Conducting of selected corporate-level, country programme and project evaluations	CMR 1, CMR 2, CMR 3, CMR 8
B. Specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee	CMR 1, CMR 2, CMR 9, CMR 10
C. Evaluation outreach and partnerships	CMR 1, CMR 2, CMR 3, CMR 8
D. Evaluation methodology and effectiveness of OE	CMR 1, CMR 2, CMR 3, CMR 4, CMR 5, CMR 6, CMR 7, CMR 8

^a IFAD's corporate management results: CMR 1: Better country programme management; CMR 2: Better project design (loans and grants); CMR 3: Better supervision and implementation support; 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; CMR 8: Better inputs into global policy dialogues for rural poverty reduction; CMR 9: Effective and efficient platform for Members' governance of IFAD; CMR 10: Increased mobilization of resources for rural poverty reduction

89. Priority area (a) represents the core of OE's work programme. Under this priority, OE will complete a number of evaluations that were started in 2009. These include the CLEs of approaches and results in promoting gender equity and women's empowerment in IFAD operations, which is an important area of evaluation for OE as rural women play a central role both in agriculture and in non-agricultural activities, and they contribute significantly towards improving their family's overall livelihoods and incomes. Promoting gender equity and women's empowerment has long been an area of prime focus for IFAD. IFAD also adopted a Plan of Action in 2003 as a first step in gender mainstreaming. The approach paper for this evaluation has been produced. The main objectives of the evaluation are to assess the performance and impact of IFAD's approaches and activities in promoting gender equity and women's empowerment, and to develop a series of findings and recommendations for the development of IFAD's first gender policy. As agreed with the Board and Management, the gender evaluation will be completed in 2010, so that it can provide timely inputs for the development of the Fund's first gender policy, which Management is required to present to the Board in December 2010.
90. Similarly, the CLE on IFAD's Private-Sector Development and Partnership Strategy will largely be undertaken in 2010. This evaluation will review the implementation of IFAD's Private-Sector Development and Partnership Strategy and provide a forward-looking assessment exploring opportunities for supporting private-sector investment, which can stimulate pro-poor economic growth in rural areas. This evaluation is scheduled to be completed and presented to the Board in April 2011.

Following this evaluation, IFAD will develop a new private-sector policy that will be presented to the Executive Board in 2011.

91. Although the joint Africa evaluation will be completed in 2009, key outreach activities will be undertaken in 2010, in particular the organization of multi-stakeholder workshops in Africa to ensure a wide dissemination of the main findings and lessons from the evaluation.
92. The forward work programme for CLEs includes evaluations of: (i) the efficiency of the IFAD operations in 2011; (ii) IFAD's policy dialogue approaches in 2012; and (iii) evaluation of the supervision policy in 2013. Other possible CLEs to be considered in the future include IFAD's quality assurance system and IFAD's experience with cofinancing.
93. The CPEs in Argentina, Kenya, the Niger and Yemen, and the project evaluation in the Dominican Republic commenced in 2009 and will be completed in 2010. The Niger CPE report has been prepared and the major activity to be undertaken in 2010 is the national round-table workshop (NRTW) in order to discuss the findings and recommendations from the evaluation with the key stakeholders. In 2010 the Argentina CPE report will be prepared and the NRTW implemented.
94. A number of new evaluations will be set under way in 2010. In this regard, in the last quarter of 2010 OE will begin the CPEs in Ghana, Rwanda and Viet Nam, which will be completed in 2011 and contribute to the development of new COSOPs in these countries. The Ghana country programme is the second largest in the region and supports infrastructure development, financial services, access to land and water, and women's access to development opportunities in an effort to develop a market-driven agricultural sector. The Rwanda country programme aims to empower poor rural people to participate in transforming the agricultural sector by increasing economic opportunities for the rural poor, strengthening organizations and institutions of the rural poor, and supporting the participation of vulnerable groups in the social and economic transformation. It also supports post-conflict reconstruction efforts and refugee rehabilitation. Important elements of the Viet Nam country programme are its recognition of the growing disparity in livelihoods between rural (often upland) and urban areas, and its focus on supporting rural households and women through innovative approaches in obtaining access to natural assets, strengthened and decentralized institutions, and increased market access.
95. As mentioned in paragraph 78, OE will support Management in undertaking the self-evaluation of the China country programme in 2010 and participate in its core learning partnership. Other CPEs in the forward work programme include those planned in Burkina Faso, Haiti, Jordan and Madagascar during the period 2011-2012.
96. Five new project evaluations are proposed for 2010 in Brazil, Ghana, the Lao People's Democratic Republic, Rwanda and the United Republic of Tanzania. The evaluations in Brazil, Ghana, Rwanda and the United Republic of Tanzania are interim project evaluations, which are required by the Evaluation Policy before embarking on the design of the subsequent phase of the corresponding projects. More information pertaining to these evaluations can be found in annex XVI, which highlights key features of the country programmes and projects to be evaluated in 2010.
97. Project evaluations are provisionally planned in the forward work programme in Cape Verde, Egypt, Haiti, Madagascar, Mongolia, Morocco, Senegal, Tunisia, Uganda and Uruguay in the period 2011-2012.
98. Under priority (b), OE will prepare the ARRI report each year from 2010 to 2012. The ARRI report is OE's flagship document as it aims to provide a consolidated picture of the results and impact of IFAD operations evaluated each year. In

addition, as it has evolved the ARRI report has devoted more attention to learning each year, for example through specific learning themes such as those identified in the 2009 edition – access to markets, and environment and natural resources management. The learning theme proposed for the 2010 ARRI report is the efficiency of IFAD-funded projects. The ARRI report will be presented as per standard practice to both the Evaluation Committee and the Executive Board. Similarly, OE will review and prepare comments on the President’s Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the Report on IFAD’s Development Effectiveness (RIDE). As required by the terms of reference of the Evaluation Committee, OE will prepare its comments on any corporate policy proposal developed by Management in areas where OE has accumulated – over the years – sufficient evaluative evidence and lessons learned. Finally, each year from 2010 to 2012, OE will prepare a three-year rolling work programme,¹² together with a specific budget proposal for the first of the three years in the rolling programme.

99. OE will organize four sessions of the Evaluation 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, as agreed, the Committee will undertake its annual field visit in 2010 to Mozambique, in 2011 to Yemen and in 2012 to Ghana, in connection with the CPEs in these countries. The exact timeframe for these visits will be determined by the Committee during its annual December sessions.
100. With regard to priority (c), OE will continue its efforts to ensure that aspects of communication and dissemination are incorporated into each evaluation from the outset. The present practice of disseminating printed copies of evaluation reports and evaluation Profiles¹³ and Insights¹⁴ to Executive Board members, partners in developing countries and others, and updating the evaluation section on the IFAD website, will be continued. OE will also continue to participate in IFAD internal platforms (e.g. in the OSC) 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 report, key learning themes to be discussed with IFAD Management through in-house learning workshops.
101. In terms of partnerships, OE will participate actively in the discussions of the ECG and UNEG. It will also take part in key 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).
102. As requested by the Board in 2008, OE will strengthen its involvement in ECD activities, commensurate with its priorities and available resources. Accordingly, OE will begin with a demand-driven approach assisting countries that request support and are engaged in building their own capacity. This will involve close collaboration with PMD, as OE can only provide targeted assistance while long-term capacity development is ultimately a function of the operations department. In this regard, OE has developed a draft approach to ECD, which is currently being shared with PMD. The draft approach will be revised to incorporate the feedback from PMD.

¹² 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).

¹³ 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.

¹⁴ 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.

Based on this approach, an overview of the objectives and activities related to OE's involvement in ECD will be presented for discussion at the Evaluation Committee session in December 2009.

103. OE will continue the partnership with SDC (see paragraph 82) and use these resources, *inter alia*, for the gender evaluation and the learning theme selected within the 2010 ARRI report.
104. 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, in addition to further strengthening its internal peer review processes to cover all evaluations undertaken by the division in 2010.
105. Finally, staff resources will be reserved for implementing any follow-up actions attendant upon the external Peer Review of OE and IFAD's Evaluation Function. In this regard, OE recognizes that the scope of the peer review covers all aspects of the evaluation function (e.g. Evaluation Policy, evaluation products, methodology) and that sufficient resources will need to be allocated for responding to the peer review findings and recommendations.

V. 2010 proposed budget

Human resources

106. OE plans to work with the same allocation of human resources next year as in 2009. More specifically, OE will require 19.5 staff positions to implement its annual work programme in a timely manner. Annex XIII provides more information on the OE human resources requirements for 2010.

Budget

107. Using the same inflation factor (1.5 per cent for non-staff costs) and 2010 standard costs for staff positions as defined by the International Civil Service Commission and as applied by IFAD in its proposed 2010 administrative budget, OE's budget proposal for 2010 is around US\$6.2 million (see annex XIII). This reflects a decrease in real terms of about US\$136,000 or 2.3 per cent compared with OE's 2009 administrative budget.
108. As requested by the Audit Committee and the Executive Board in 2007, starting from 2009 OE introduced a cap on its administrative budget, which should remain within 0.9 per cent of IFAD's annual programme of work. The proposed OE administrative budget for 2010 is around 0.78 per cent of the Fund's proposed programme of work amounting to US\$800 million for next year, which would allow OE to have a budget up to US\$7.2 million. This is down from 0.88 per cent in 2009.
109. In addition to the above, as agreed by the Executive Board during its September 2009 session, a further amount of US\$50,000 is requested for the completion of the Peer Review of OE and IFAD's Evaluation Function in 2010. This requirement is reflected as a one-time cost below the line, which is consistent with the initial allocation in the 2009 OE budget.

Part three – Recommendations

110. In accordance with article 7, section 2(b) of the Agreement Establishing IFAD, it is recommended that the Executive Board:

- Approve the programme of work for 2010 at a level of SDR 503 million (US\$800 million), which comprises a lending programme of SDR 470 million (US\$748 million) and a gross grant programme of US\$52 million. It is proposed that this programme of work level be approved for planning purposes and that it be adjusted during 2010 in accordance with the level of resources available.

111. In accordance with article 6, section 10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD, it is recommended that the Executive Board:

- Transmit to the thirty-third session of the Governing Council, first the administrative budget of IFAD for 2010 in the amount of US\$131.99 million, second, the capital budget of IFAD for 2010 in the amount of US\$3.53 million and third, the administrative budget of IFAD's Office of Evaluation for 2010 in the amount of US\$6.2 million.

Projected resources available for commitment, 2008-2010

(Millions of United States dollars)

	<i>2008 actual</i>	<i>2009 estimated</i>	<i>2010 estimated</i>
Committable resources at the beginning of the year	-	-	-
Loan cancellations	75.3	60.0	60.0
Exchange rate adjustment	16.8	(15.2)	-
Subtotal	92.1	44.8	60.0
Member contributions ^a	142.7	225.0	487.7
Loan reflows ^b	242.7	234.0	249.0
Net investment income ^c	126.6	92.0	78.0
HIPC Debt Initiative transfer	-	-	(14.0)
After-Service Medical Coverage Scheme Trust Fund transfer	(16.8)	(8.0)	(8.0)
Combined administrative budget (including Office of Evaluation) ^d	(117.6)	(123.3)	(138.2)
Action Plan	(2.4)	(1.0)	(1.2)
Capital budget expenditure ^e	(0.6)	(2.6)	(4.1)
Resources after expenditures	466.7	460.9	709.2
Commitment for loans and grants ^f	(623.7)	(715.0)	(800.0)
Resources before advance commitment authority (ACA)	(157.0)	(254.1)	(90.8)
Net use of ACA	157.0	254.1	90.8

^a Member contributions for the Eighth Replenishment are based on the encashment conditions as negotiated.

^b Loan reflows are shown gross of repayment on behalf of Heavily Indebted Poor Countries (HIPC) Debt Initiative countries.

^c Current estimates as at end-September 2009.

^d The combined administrative budget refers to items previously separately classified under the administrative budget or PDFF as well as under the budget of the OE.

^e The capital budget expenditures pertain to current and prior years' budget allocations.

^f Commitments for loans and grants include grants approved directly by the President.

2010 indicative lending programme

	<i>Western and Central Africa</i>	<i>Eastern and Southern Africa</i>	<i>Asia and the Pacific</i>	<i>Latin America and the Caribbean</i>	<i>Near East and North Africa</i>	<i>Total</i>
Indicative country list (gross programme)						
	Cameroon	Botswana	Bangladesh	Bolivia (Plurinational State of)	Armenia	
	Chad	Burundi	Bhutan	Brazil	Morocco	
	Equatorial Guinea	Eritrea	Indonesia	Dominican Republic	Republic of Moldova	
	Guinea	Kenya	Mongolia	Guatemala	Sudan	
	Mali	Madagascar	Pakistan	Guyana	Syrian Arab Republic	
	Nigeria	Mozambique	Papua New Guinea	Nicaragua	Yemen	
	Sierra Leone	United Republic of Tanzania	Philippines	Peru		
	Togo	Uganda	Tajikistan			
		Zimbabwe	Timor Leste			
			Viet Nam			
	8	9	10	7	6	40
Reserve list						
	Côte d'Ivoire	Ethiopia	Bangladesh	Haiti	Yemen	
	Sao Tome and Principe	Malawi	Pakistan	Honduras		
		Swaziland	Solomon Islands			
			Tonga			
			Viet Nam			

Average loan and grant size, 2001-2010

		<i>Actual</i>								<i>Estimated</i>	<i>Proposed</i>
		2001	2002	2003	2004	2005 ^a	2006 ^b	2007	2008	2009 ^c	2010 ^c
Loan and DSF grant approvals											
Number of loans and DSF grants		24	24	25	24	32	31	40	38	36	35-40
Value of loans and DSF grants	US\$ million	391.6	353.2	403.6	408.7	499.3	515.0	563.1	561.4	668.5	748.0
Average loan and DSF grant size	US\$ million	16.3	14.7	16.1	17.0	15.6	16.6	14.1	14.8	18.6	18.7-21.4
Grant approvals^d											
Number of grants		106	85	70	87	66	109	77	71		
Value of grants	US\$ million	30.8	23.9	20.3	33.3	36.6	41.8	35.7	40.9		
Average grant size	US\$ million	0.3	0.3	0.3	0.4	0.6	0.4	0.5	0.6		
Total IFAD loan and grant operations^e	US\$ million	422.4	377.1	423.9	442.0	535.9	556.8	598.8	602.3	715.0	800.0

^a Includes four programmes (with IFAD financing of US\$33.7 million) approved outside the regular programme for countries affected by the tsunami and a loan approved for Indonesia made up of unused proceeds of a loan approved in 1997.

^b Includes the additional loans (US\$35.0 million) approved for four programmes for countries affected by the tsunami.

^c For 2009 and 2010, the number of projects is used in lieu of the number of loans and DSF grants.

^d Includes all categories of grants, but **excludes** transfer to the PDFF and DSF grants.

^e Excludes fully cancelled programmes and projects.

2008 estimated direct supervision costs

Introduction

1. In line with the provisions of the IFAD Policy on Supervision and Implementation Support (EB 2006/89/R.4/Rev.1) approved by the Executive Board in December 2006, the Fund has been progressively increasing the number of projects under its direct supervision and implementation support. By early 2010, practically all projects that are not cofinanced or are not at a very last stage of implementation will be under IFAD's direct supervision.
2. In terms of pace of moving to IFAD's own supervision, beginning in 2007, the Asia and Pacific Division (PI) brought all projects except those with cofinancing under direct supervision. The Eastern and Southern Africa Division (PF) followed suit and completed the conversion (to direct supervision) process in early 2008. The other three regional divisions – (Western and Central Africa Division [PA], Latin America and the Caribbean Division [PL] and the Near East and North Africa Division [PN]) – proceeded more gradually.

Analyses of the direct supervision costs

3. Some preliminary information about direct supervision costs has been derived from the 2008 budget transaction detailed reports in PeopleSoft. Data are limited to 2008, since 2009 costs cannot be used pending the completion of the fourth quarter 2009 programme of work.
4. Data are for direct costs charged against activity OA310 – direct supervision. This analysis has the following limitations:
 - (a) In some cases, several months were necessary for the formalization of direct supervision arrangements and the subsequent handover of project-related documentation. Therefore, some projects approved for direct supervision in September 2008 did not incur direct supervision costs in 2008 as they were still with the concerned cooperating institution.
 - (b) Some of the projects under direct supervision are not yet effective and/or may have incurred limited direct supervision costs.
 - (c) The averages provided below only cover the costs directly incurred and charged against activity OA310 (e.g. consultancies, travel of country programme managers [CPMs]/country programme officers [CPOs], loan and grants officers and legal advisers) but not costs of IFAD staff time in the absence of a time-recording system (CPMs/CPOs, portfolio advisers, financial managers, programme assistants, loan and grants officers and legal advisers).
5. The 2008 average cost per directly supervised project is summarized below:
 - **PA:** US\$32,467 (excluding not effective projects)
 - **PF:** US\$56,810 (excluding not effective projects [the cost of a consultant covering the whole portfolio has been taken into consideration since it was charged against direct supervision])
 - **PI:** US\$40,444 (includes work undertaken through country offices)
 - **PL:** US\$37,421 (excluding not effective projects)
 - **PN:** US\$37,453
6. For four of the five divisions, costs in 2008 were at or below the US\$40,000 level. PF is the only exception. This was caused mainly by the stationing of a resident consultant who functioned mainly as a trainer and systems developer.

7. In 2009 and 2010 the costs are expected to be influenced by following factors:

Factors contributing towards lower cost

- (a) All divisions will gain from economies of scale (which PI and to some extent PF have already started to experience) as more projects are brought under direct supervision.
- (b) Direct supervision complemented by IFAD's country presence will be accelerating the trend to use more and more nationally available service providers. It will generally imply lower unit costs.
- (c) As staff become trained and gain more experience, the quality of supervision is likely to improve, which in turn will strengthen development effectiveness. Cost reduction is possible.

Factors contributing towards higher costs

- (a) The scope of supervision is expanding due to the emphasis on donor communication, alignment, harmonization, knowledge management and policy dialogue.
 - (b) Loan sizes are increasing which may increase geographical areas covered and, in some cases, number of components (despite the approach not to do so).
 - (c) A significant part of the portfolio remains at risk, despite improvements. Pressure is mounting to provide more support to fragile states and high quality services to middle-income countries.
8. Preliminary evidence, including the unit cost proposed for 2010, indicate that the cost of direct supervision will generally remain within the IFAD's historical norms and significantly below the costs incurred by other international financial institutions like the World Bank.

Overview of budget and PDFF execution in 2008

1. This annex presents an overview of the execution of the administrative budget and the PDFF in 2008.
2. The 2008 actual expenditure of the combined administrative and PDFF budgets amounted to US\$109.0 million, representing an overall increase in actual costs of 2.8 per cent over 2007 figures. The actual expenditure of the administrative budget (excluding PDFF) in 2008 of US\$71.4 million represented an annual increase of 1.3 per cent compared with 2007 data, which in part resulted from an increased focus on administrative efficiency.
3. The administrative budget restated on the basis of the average EUR/US\$ exchange rate was equal to US\$75.80 million, resulting in a 3 per cent carry-forward into 2009 of US\$2.27 million (annex VII).
4. IFAD's major expenditure category continues to be human resources, with staff and staff-related costs representing 80 per cent of the administrative budget expenditure approved by IFAD's governing bodies for 2008. Actual staff costs have risen on average by 10 per cent per year over the last three years, driven primarily by inflationary factors. Staff data indicate a modest trend of staff shifting towards PMD (6.9 per cent increase), with a corresponding decrease in FAD of 2.7 per cent. This trend is in accordance with the overall strategy of focusing resources on operational areas.
5. The PDFF actual expenditure for 2008 increased by 6 per cent compared with expenditure for 2007, and utilization decreased from 94 to 92 per cent on actual expenditure. The remaining 8 per cent not spent in 2008 was carried forward into 2009 on the basis that the funds were committed against specific projects.

Overview of 2007-2008 actual and 2009 estimated expenditures

By source of funding

(Thousands of United States dollars)

Source of funding	2007 actual	2008 actual		2009 expenditure at end of second quarter	Total estimated for 2009
			Increase		
Administrative budget	70 549	71 375	1.2%	64 594	73 331
PDFF	35 465	37 601	6.0%	28 532	45 420
Total	106 014	108 976	2.8%	93 126	118 751

By department

(Thousands of United States dollars)

Department	2007 actual		2008 actual		Expenditure at end of second quarter	2009	
		Percentage of total		Percentage of total		Percentage of total	Total estimated for 2009
External Affairs	17 280	16.3%	16 892	15.5%	14 861	16.0%	17 857
Finance and Administration	28 902	27.3%	30 203	27.7%	25 502	27.4%	30 356
Office of the President and the Vice-President	5 436	5.1%	5 864	5.4%	5 527	5.9%	6 372
Programme Management	54 396	51.3%	56 017	51.4%	47 236	50.7%	64 166
Total	106 014	100.0%	108 976	100.0%	93 126	100.0%	118 751

Carry-forward funds

(Thousands of United States dollars)

<i>Department</i>	<i>Description of use of carry-forward funds^a</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>
EAD	Communications Division: IFAD's Thirtieth Anniversary and correlated IFAD Eighth Replenishment activities		335				
	Policy Division: Rural Poverty Report	400	161				
	Communications Division: Media support, country presence and new headquarters costs	214					
	Staff costs	139					
Subtotal		753	496	700	9	723	721
FAD	Information Technology Division: IT equipment and maintenance		100				
	Administrative Services Division: New headquarters costs	77	600				
	Financial Services Division: LGS ^b transition support services	120					
	Strategic Planning and Budget Division: Medium-term planning	50					
	Human Resources Division: Enhanced APO ^c programme, ePerformance module	184					
	Treasury Division: Common Treasury Services Website	10					
Subtotal		441	700	543		442	283
OPV	Office of the Vice-President: Governing Council costs		42				
	Office of the President: Senior management recruitment	120					
	Office of the President: Corporate re-organization costs	520					
Subtotal		640	42	121		273	128
PMD		440					
Total		2 274	1 238	1 874	209	1 564	1 465

^a The 3 per cent carry-forward rule is applicable from the 2004 budget year onwards . It establishes that unobligated appropriations at the close of the financial year may be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year.

^b Loan and Grant System.

^c Associate Professional Officer.

Budget preparation parameters

Staff costs

1. The staff cost budget is prepared in accordance with the rules and regulations applied to salaries, allowances and benefits for the staff of the United Nations, which are largely governed by the recommendations of the International Civil Service Commission of the United Nations Common System.
2. Standard rates are developed for each grade level based on an analysis of statistical data of IFAD population and actual expenditures relating to IFAD staff. The various components of the rates represent the best estimate at the time of preparation of the budget document and have been calculated in collaboration with FAO.
3. The 2010 standard costs have increased by an average of 4.1 per cent which compares to an equivalent increase of 7.8 per cent in the 2009 approved budget. The following table shows the average percentage increase for each staff entitlement and its impact on the cost of the 2009 full-term equivalents (FTEs).

(Millions of United States dollars)

<i>Category description</i>	<i>2009 FTEs at 2009 rates</i>	<i>2009 FTEs at 2010 rates</i>	<i>Increase</i>	<i>Notes</i>
Professional staff				
Salaries	19.09	19.41	1.7%	(a)
Post adjustment	9.93	10.08	1.5%	(a)
Pension	5.85	6.19	5.8%	(b)
Education grants	2.71	2.79	3.0%	
Medical scheme	1.31	1.88	43.5%	(c)
Repatriation, separation and annual leave	1.82	1.85	1.6%	
Home leave	1.05	1.11	5.7%	
Dependency allowances	0.39	0.63	61.5%	(d)
United States tax reimbursement	0.54	0.62	14.8%	
Other allowances	1.52	1.56	2.6%	
Subtotal	44.21	46.12	4.3%	
General Service staff				
Salaries	14.40	14.45	0.3%	(a)
Pension	2.98	2.99	0.3%	(b)
Medical scheme	1.2	1.8	50.0%	(c)
Language allowance	0.51	0.52	2.0%	
Repatriation and separation	1.34	1.34	0.0%	
Other allowances	0.74	0.83	12.2%	
Subtotal	21.17	21.93	3.6%	
Outposted staff	0.75	0.78	4.0%	
Total staff costs	66.13	68.83	4.1%	

- (a) **Salaries and post adjustment:** A 2 per cent salary increase has been assumed in the General Service and in the Professional and higher categories. The increase for both General Service and Professional staff reflected in the table above is less than 2 per cent because the assumed increases in the prior-year standard cost calculation did not materialize during 2009.
- (b) **Pension:** Following on from a zero increase in 2009, a 2.4 per cent pensionable remuneration increase has been assumed for both General Service and Professional staff in 2010. Similar to salary costs, the increase compared to prior year standard cost reflects the fact that the current year standard cost is calculated using actual ICSC rates currently in existence while the 2009 standard rates reflected an estimate of what the 2009 actual ICSC rates would be.
- (c) **Medical scheme:** A 6.5 per cent increase in the medical scheme's unit costs has been assumed, as well as the additional costs arising from the operation of the cost-capping mechanism for staff members which is borne by IFAD. The increases reflected in the table above indicate the impact of applying these increases to IFAD's staff population.
- (d) **Dependency allowances:** Arising from an agreed increase in January 2009, the dependency allowance unit costs have risen by 36 per cent. Similar to the medical costs, the increases reflected in the table above indicate the impact of applying these increases to IFAD's staff population.

Non-staff costs

4. Within the administrative budget, a price increase of 1.5 per cent has been applied to non-staff costs and is felt to be a reasonable estimate of non-staff cost inflation given the uncertainty that exists in the current global economy. In addition the following forecasted increases in consumer prices were considered before finalizing the rate of 1.5 per cent:
- The increase in consumer prices globally is forecast to fall from 1.8 per cent in the first quarter of 2010 to 1.5 per cent in the fourth quarter of 2010;
 - The equivalent forecasts for Italy are expected to be 1.7 per cent in the first quarter of 2010 falling to 1.0 per cent in the fourth quarter of 2010.

Exchange rates

5. In line with IFAD's financial regulations, the administrative budget is presented in United States dollars, including a component of euro-denominated expenditures converted into United States dollars at 0.72 EUR/US\$ exchange rate, representing the best estimate forecast at the time of preparation of the budget document.
6. The proposed programme of work is presented in special drawing rights¹ (SDRs) converted into United States dollars on the basis of a 1.5916 US\$/SDR exchange rate, representing the projected rate for 2009 at the time of preparation of the budget document.

¹ A Special Drawing Right is an artificial currency unit based on the basket of United States dollars, euros, Japanese yen and pounds sterling. It serves as the official monetary unit of several international organizations including the International Monetary Fund.

2010 administrative budget by department

(Millions of United States dollars)

Cluster	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)			Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total		
	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)
1. Country programme development and implementation	2.00	2.31	15.5%	1.87	2.04	9.1%	1.35	1.64	21.5%	60.67	66.93	10.3%	65.89	72.92	10.7%
2. High-level policy dialogue, resource mobilization and strategic communication	1.18	1.32	11.9%	7.43	7.52	1.2%	-	0.15	100%	-	-	-	8.61	8.99	4.4%
3. Corporate management, reform and administration	2.52	2.74	8.7%	-	-	-	27.16	27.61	1.7%	-	-	-	29.68	30.35	2.3%
4. Support to Members' governance activities	0.70	0.76	8.6%	8.63	9.05	4.9%	-	0.15	100%	-	-	-	9.33	9.96	6.8%
Corporate cost centre	-	-	-	-	-	-	-	-	-	-	-	-	1.80	1.82	1.1%
Total	6.40	7.13	11.4%	17.93	18.61	3.8%	28.51	29.55	3.6%	60.67	66.93	10.3%	115.31	124.04	7.6%

2010 administrative budget by indicative expense category

(Millions of United States dollars)

	Office of the President and the Vice-President (OPV)			External Affairs Department (EAD)			Finance and Administration Department (FAD)			Programme Management Department (PMD)			Total		
	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)	2009	2010	Increase (decrease)
Staff costs	5.50	6.01	9.3%	14.53	15.23	4.8%	17.34	18.81	8.5%	28.76	33.24	15.6%	66.13	73.29	10.8%
Other staff costs ^a	0.06	0.06	0.0%	0.18	0.18	0.0%	1.29	1.14	(11.6)%	0.07	0.07	0.0%	1.60	1.45	(9.4)%
Consultancy services	0.12	0.30	150.0%	1.75	1.92	9.7%	0.07	0.26	271.4%	23.13	23.59	2.0%	25.07	26.07	4.0%
Administrative services	0.17	0.17	0.0%	0.76	0.58	(23.7)%	1.65	1.26	(23.6)%	0.37	0.38	2.7%	2.95	2.39	(19.0)%
Facility management	-	-	-	-	-	-	4.04	3.96	(2.0)%	0.2	0.25	25.0%	4.24	4.21	(0.7)%
Travel	0.37	0.42	13.5%	0.69	0.68	(1.4)%	0.36	0.27	(25.0)%	5.44	7.1	30.5%	6.86	8.47	23.5%
Information technology services	-	-	-	-	-	-	2.60	2.79	7.3%	-	-	-	2.6	2.79	7.3%
Institutional contracts	-	-	-	-	-	-	-	-	-	2.5	2.0	(20.0)%	2.5	2	(20.0)%
Training	-	-	-	-	-	-	1.13	1.02	(9.7)%	-	-	-	1.13	1.02	(9.7)%
Corporate cost centre	-	-	-	-	-	-	-	-	-	-	-	-	1.80	1.82	1.1%
Other costs	0.18	0.17	(5.6)%	0.02	0.02	0.0%	0.03	0.04	33.3%	0.2	0.3	50.0%	0.43	0.53	23.3%
Total	6.4	7.13	11.4%	17.93	18.61	3.8%	28.51	29.55	3.6%	60.67	66.93	10.3%	115.31	124.04	7.6%

^a Other staff costs includes items such as overtime, recruitment costs and medical costs.

Note: The most important classification of expenses by category within IFAD is by staff and non-staff costs. As there is a great degree of flexibility in the use of non-staff resources, the above table is provided as an indicative analysis only.

2010 staff levels – administrative budget

(Full-time equivalents)^a

Department ^f	2009					2010 ^b						
	Continuing and fixed-term staff				Short-term staff	Total 2009	Continuing and fixed-term				Short-term staff	Total 2010
	Prof. and higher	General Service	Total continuing and fixed-term staff	Total			Prof. and higher	General Service	Total continuing and fixed-term staff	Total		
External Affairs Department (EAD)												
Office of the Assistant President	4.3	2.0	6.3	-	6.3	4.0	1.0	5.0	-	5.0		
Communications Division	15.0	13.5	28.5	0.6	29.1	14.5	13.5	28.0	-	28.0		
Policy Division	9.0	5.0	14.0	1.0	15.0	9.0	5.0	14.0	1.0	15.0		
Office of the Secretary	15.0	31.6	46.6	7.4	54.0	17.0	30.8	47.8	7.6	55.4		
North American Liaison Office	3.0	1.0	4.0	-	4.0	3.0	1.0	4.0	-	4.0		
Total EAD	46.3	53.1	99.4	9.0	108.4	47.5	51.3	98.8	8.6	107.4		
Finance and Administration Department (FAD)												
Office of the Assistant President	2.0	1.0	3.0	-	3.0	3.0	1.0	4.0	-	4.0		
Financial Services Division	12.0	18.7	30.7	-	30.7	13.0	17.7	30.7	-	30.7		
Strategic Planning and Budget Division	5.0	1.0	6.0	-	6.0	5.0	1.0	6.0	-	6.0		
Treasury Division	7.0	5.0	12.0	-	12.0	7.0	5.0	12.0	-	12.0		
Human Resources Division	8.4	11.0	19.4	-	19.4	10.4	10.4	20.8	-	20.8		
Information Technology Division	14.0	13.0	27.0	-	27.0	14.0	13.0	27.0	-	27.0		
Administrative Services Division	6.0	29.1	35.1	1.4	36.5	7.0	27.0	34.0	1.7	35.7		
IFAD (corporate)	3.0	-	3.0	-	3.0	-	-	-	-	-		
Total FAD	57.4	78.8	136.2	1.4	137.6	59.4	75.1	134.5	1.7	136.2		
Office of the President and the Vice-President (OPV)^d												
Office of the President	2.0	2.0	4.0	-	4.0	3.0	2.0	5.0	-	5.0		
Office of the Vice-President	2.0	2.0	4.0	-	4.0	2.0	2.0	4.0	-	4.0		
Office of Audit and Oversight	5.0	2.5	7.5	-	7.5	5.0	3.0	8.0	-	8.0		
Office of the General Counsel	8.0	6.8	14.8	-	14.8	8.0	6.0	14.0	0.8	14.8		
Total OVP	17.0	13.3	30.3	-	30.3	18.0	13.0	31.0	0.8	31.8		
Programme Management Department (PMD)												
Office of the Assistant President	7.0	3.0	10.0	0.8	10.8	7.0	3.0	10.0	0.4	10.4		
Western and Central Africa Division	16.2	13.0	29.2	-	29.2	19.0	13.0	32.0	-	32.0		
Eastern and Southern Africa Division	19.5	11.0	30.5	-	30.5	24.8	12.0	36.8	-	36.8		
Asia and the Pacific Division	18.6	10.0	28.6	4.0	32.6	18.5	10.0	28.5	4.0	32.5		
Latin America and the Caribbean Division	17.0	7.0	24.0	-	24.0	17.0	7.0	24.0	-	24.0		
Near East and North Africa Division	13.5	10.0	23.5	0.8	24.3	15.0	11.0	26.0	-	26.0		
Technical Advisory Division	16.0	7.0	23.0	1.5	24.5	19.3	7.0	26.3	1.9	28.2		
Global Environment and Climate Change Unit	1.7	0.5	2.2	-	2.2	2.7	2.0	4.7	-	4.7		
Total PMD	109.5	61.5	171.0	7.1	178.1	123.3	65.0	188.3	6.3	194.6		
Grand total	230.2	206.7	436.9	17.5	454.4	248.2	204.4	452.6	17.4	470.0		

^a 1 FTE = 12 months. Includes part-time staff corresponding to less than one FTE.

^b Includes staff financed by both the administrative budget and the PDFF.

^c The distribution of staff by department is indicative and subject to change as the staffing plans for 2010 are finalized.

^d The President and Vice-President are not included.

2010 staffing by department and grade

(Full-time equivalents)

Category	Grade	Department				Total
		EAD	FAD	OPV	PMD	
Professional and Higher	Assistant President	1.0	1.0	-	1.0	3.0
	D-2	1.0	2.0	3.0	2.0	8.0
	D-1	4.0	4.0	-	4.5	12.5
	P-5	10.0	12.0	5.0	57.5	84.5
	P-4	12.0	16.0	4.0	25.8	57.8
	P-3	14.5	13.4	5.0	27.0	59.9
	P-2	5.0	10.0	1.0	5.5	21.5
	P-1	-	1.0	-	-	1.0
Subtotal		47.5	59.4	18.0	123.3	248.2
General Service ^a	G-7	-	3.0	1.0	-	4.0
	G-6	19.0	31.0	3.0	31.0	84.0
	G-5	14.7	18.7	5.0	21.0	59.4
	G-4	13.5	11.4	3.0	11.0	38.9
	G-3	4.1	5.0	-	2.0	11.1
	G-2	-	6.0	1.0	-	7.0
Subtotal		51.3	75.1	13.0	65.0	204.4
Total		98.8	134.5	31.0	188.3	452.6
Percentage Professional category		48.1%	44.2%	58.1%	65.5%	54.8%
Percentage General Service category		51.9%	55.8%	41.9%	34.5%	45.2%
Ratio Professional to General Service		1.08	1.26	0.72	0.53	0.82

^a Excluding short-term temporary General Service staff.

OE 2010 budget and human resources proposal

Table 1
2010 OE Evaluation Budget
(In United States dollars)

	2006 budget ^a	2007 budget ^a	2008 budget ^a	2009 budget ^b (1)	Proposed 2010 budget			
					1.5 per cent inflation ^c (2)	Staff cost increase (International Civil Service Commission) ^d (3)	Real decrease (4)	Total 2010 budget (5)=(1)+(2)+(3)-(4)
Evaluation work								
Non-staff costs	2 684 000	2 990 565	2 465 565	2 696 000	40 440	-	136 440	2 600 000
Evaluation work								
Staff costs	2 221 000	2 835 130	2 777 012	3 157 851	-	462 353	0	3 620 204
Total	4 905 000	5 825 695	5 242 577	5 853 851	40 440	462 353	136 440	6 220 204
One-time cost below the line – Peer Review of OE and IFAD's Evaluation Function								50 000

^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 Governing Council (at the exchange rate of US\$/EUR=0.79).

^c As for the rest of IFAD.

^d As conveyed by FS, based on International Civil Service Commission data. This is the standard cost at the exchange rate of US\$/EUR=0.722

Table 2
OE human resource requirements in 2010
(number)

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

^a In 2010, OE will also benefit from the services of one associate professional officer (APO) from Germany. Negotiations for additional APOs from Belgium and Sweden are at different stages in the process.

^b 0.5 unit of a full time equivalent of an existing OE general service staff position will be transferred to the professional staff category.

OE work programme for 2010

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Start date</i>	<i>Expected finish</i>	
Priority A: Conducting of selected corporate-level, country programme, and project evaluations	1. Corporate-level evaluations	Completion of the peer review and implementation of the recommendations of the Peer Review of OE and IFAD's Evaluation Function	Jan-10	Dec-10	
		Approaches and results in promoting gender equity and women's empowerment in IFAD operations	Sep-09	Dec-10	
		IFAD's Private-Sector Development and Partnership Strategy	Nov-09	Apr-11	
		AfDB-IFAD joint evaluation on agricultural and rural development policies and operations in Africa (Learning workshop(s))	Jan-10	Jun-10	
	2. Country programme evaluations	Argentina	Nov-08	Jun-10	
		China: Support PMD in undertaking the self-evaluation	Jan-10	Dec-10	
		Ghana	Nov-10	Dec-11	
		Kenya	Nov-09	Dec-10	
		Mozambique (only national round-table workshop)	Jun-08	Apr-10	
		Niger (only national round-table workshop)	Nov-08	Apr-10	
		Rwanda	Nov-10	Dec-11	
		Viet Nam	Nov-10	Dec-11	
	3. Project evaluations	3.1. Interim evaluations	Brazil: Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	Jan-10	Oct-10
			Ghana: Rural Enterprises Project – Phase II	Mar-10	Dec-10
			Rwanda: Smallholder Cash and Export Crops Development Project	Mar-10	Dec-10
			United Republic of Tanzania: Rural Financial Services Programme	Mar-10	Dec-10
3.2. Completion evaluations		Dominican Republic: South Western Region Small Farmers Project – Phase II	Sep-09	Jun-10	
		Lao People's Democratic Republic: Oudomxai Community Initiatives Support Project	Mar-10	Dec-10	

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Start date</i>	<i>Expected finish</i>
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 to Mozambique (specific date to be decided by the Evaluation Committee in December 2009)	Jan-10	Dec-10
		Review of implementation of the three-year rolling work programme and budget 2010-2012 and preparation of the three-year rolling work programme and budget 2011-2013	Jan-10	Dec-10
		Eighth Annual Report on Results and Impact of IFAD Operations (ARRI)	Jan-10	Dec-10
		OE comments on the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA)	Jun-10	Sep-10
		OE comments on the Report on IFAD's Development Effectiveness (RIDE)	Oct-10	Dec-10
		OE comments on selected IFAD operations policies prepared by IFAD Management for consideration by the Evaluation Committee	Jan-10	Dec-10
		Implementing four regular sessions and additional ad hoc sessions, according to the revised Terms of Reference and Rules of Procedure of the Evaluation Committee	Jan-10	Dec-10
Priority C: Evaluation outreach and partnerships	5. Communication activities	Evaluation reports, Profiles, Insights, OE website, etc.	Jan-10	Dec-10
	6. Partnerships	ECG, UNEG and SDC partnership	Jan-10	Dec-10
	7. Participation in country programme management teams (CPMTs) and OSCs	Attend all OSCs that discuss corporate policies and strategies, COSOPs and projects evaluated by OE being considered for a follow-up phase. Attend selectively CPMTs	Jan-10	Dec-10
	8. Evaluation capacity development	Implementation of activities in partner countries related to evaluation capacity development	Jan-10	Dec-10
Priority D: Evaluation methodology and effectiveness of OE	9. Methodological work	Quality assurance and supervision of methodology application	Jan-10	Dec-10
		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	Jan-10	Dec-10
		OE internal peer reviews of all evaluations	Jan-10	Dec-10

OE provisional work programme for 2011-2012

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Year</i>	
Priority A: Conducting of selected corporate-level, thematic, country programme, and project evaluations	1. Corporate-level evaluations	A review of the efficiency of IFAD operations	2011	
		IFAD's policy dialogue approaches and results	2012	
		IFAD's Supervision Policy	2013	
	2. Thematic evaluations	Evaluation of a portfolio of projects and programmes on Small Island Developing States or emergency responses in the Asia and the Pacific region	2012	
		Technical assistance in the Latin America and the Caribbean region	to be determined within the framework of the next rolling programme	
	3. Country programme evaluations	Burkina Faso	2012	
		Haiti	2012	
		Jordan	2011	
		Madagascar	2012	
	4. Project evaluations 4.1. Interim evaluations	Morocco: Rural Development Project in the Mountain Zones of Al-Haouz Province	2011	
		Uganda: Rural Financial Services Programme	2011	
		Tunisia: Agropastoral Development and Local Initiatives Promotion Programme for the South-East	2011	
		4.2. Completion evaluations	Cape Verde: Rural Poverty Alleviation Programme	2011
			Egypt: East Delta Newlands Agricultural Services Project	2012
			Haiti: Food Crops Intensification Project – Phase II	2011
Madagascar: North-East Agricultural Improvement and Development Project			2011	
Mongolia: Rural Poverty-Reduction Programme			2011	
Peru: Market Strengthening and Livelihood Diversification in the Southern Highlands Project	2012			
Senegal: Agricultural Development Project in Matam – Phase II	2011			

<i>Priority area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Year</i>
		Uruguay: National Smallholder Support Programme – Phase II (PRONAPPA II)	2011
Priority B: Specific evaluation work required by the Evaluation Policy and the terms of reference of the Evaluation Committee	5. Evaluation Committee and Executive Board	Field visits of the Evaluation Committee to Yemen in 2011 and Ghana in 2012 (specific dates to be decided by the Evaluation Committee in December of the preceding year)	2011-2012
		Review of implementation of the three-year rolling work programme and budget 2011-2013; 2012-2014 and preparation of the three-year rolling work programme and budget 2012-2014; 2013-2015	2011-2012
		Ninth and Tenth Annual Reports on Results and Impact of IFAD Operations (ARRI) (one report each year)	2011-2012
		OE comments on the President's Reports on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) (one report each year)	2011-2012
		OE comments on the Reports on IFAD's Development Effectiveness (RIDE) (one report each year)	2011-2012
		OE comments on selected IFAD operations policies prepared by IFAD Management for consideration by the Evaluation Committee	2011-2012
		Implementing of four regular sessions each year and additional ad hoc sessions, according to the revised Terms of Reference and Rules of Procedure of the Evaluation Committee	2011-2012
Priority C: Evaluation outreach and partnerships	6. Communication activities	Evaluation reports, Profiles, Insights, OE website, etc.	2011-2012
	7. Partnerships	ECG, UNEG and SDC partnership	2011-2012
	8. Participation in CPMTs and OSCs	Attend all OSCs that discuss corporate policies and strategies, COSOPs, and projects evaluated by OE considered for a follow-up phase. Attend selectively CPMTs	2011-2012
	9. Evaluation capacity development	Implementation of activities in partner countries related to evaluation capacity development	2011-2012
Priority D: Evaluation methodology and effectiveness of OE	10. Methodological work	Quality assurance and supervision of methodology application	2011-2012
		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	2011-2012
		OE internal peer reviews of all evaluations	2011-2012

Key features of country programmes and projects to be evaluated in 2010

<i>Country programme evaluations</i>	<i>Key programme features</i>
Ghana	15 projects (4 ongoing, 1 not signed), IFAD loan amount US\$184 million, total portfolio costs US\$492 million, latest COSOP approved in 2006
Kenya	14 projects (5 ongoing), IFAD loan amount US\$185 million, total portfolio costs US\$391 million, latest COSOP approved in 2007
Rwanda	13 projects (4 ongoing), IFAD loan amount US\$141 million, total portfolio costs US\$265 million, latest COSOP approved in 2007
Viet Nam	9 projects (5 ongoing), IFAD loan amount US\$189 million, total portfolio costs US\$263 million, latest COSOP approved in 2008
Yemen	19 projects (5 ongoing), IFAD loan amount US\$194 million, total portfolio costs US\$597 million, latest COSOP approved in 2007
<i>Country and project/programme name: Interim evaluations</i>	<i>Project/programme objectives</i>
Brazil: Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	The overall project goal is the sustainable improvement of social and economic conditions of poor agrarian reform beneficiaries and neighbouring smallholders in the semi-arid zone of the North-East Region. The project's general objective is to improve the capabilities and involvement in the local market of beneficiary families, to enable them to manage more efficiently and sustainably productive activities in agriculture, marketing, microenterprise and small-scale agro-industry. Additionally, it will permit them to use financial services within the normal market procedures. Specific objectives are to: (i) provide access for families to educational and training programmes, marketing, agricultural and microenterprise support services, and financial resources; (ii) improve the social and production infrastructure of the family and settlements; (iii) promote a gender-balanced approach to project activities, providing equal opportunities and access to women to production support programmes; (iv) consolidate rural development at the municipal level; (v) promote rational use and conservation of natural resources; and (vi) validate strategies for the sustainable socio-economic development of agrarian reform settlements and smallholders in the semi-arid zone. Total project cost: US\$93.5 million; IFAD loan: US\$25.0 million.
Ghana: Rural Enterprises Project – Phase II	The goal is to reduce poverty and improve the living conditions and income of the rural poor, with emphasis on women and vulnerable groups, through self- and wage- empowerment. The specific objective is to build up a competitive rural micro and small enterprise (MSE) sector, supported by relevant, good quality, easily accessible and sustainable services. The project aims to create a more enabling environment; stimulate the establishment and expansion of self employment and microenterprises, mainly through business and technology skills development; strengthen MSE production techniques and management practices; enhance the quality, design and packaging of the goods and services produced by rural MSEs; improve the marketing of MSE products; introduce environmentally friendly production techniques; increase MSE access to working capital and investment funds; and empower trade associations and client organizations. Total project cost: US\$29.3 million; IFAD loan: US\$11.2 million.
Rwanda: Smallholder Cash and Export Crops Development Project	The specific goal of the project is to maximize and diversify the income of poor smallholder cash crop growers by developing financially sustainable commercial processing and marketing activities to do with coffee, tea, and new cash and export crops. The project design is simple and focused, and aims at: (i) introducing mechanisms to secure the greatest possible price increases for growers, in line with financially sound processing and marketing; (ii) maximizing the quality and value of coffee and tea products sold on the international market; (iii) developing efficient, democratically managed spontaneously formed primary cooperative societies of coffee and tea growers, and securing their full participation and empowerment in the processing and marketing enterprise; (iv) facilitating the participation of poor women heads of household in coffee and tea development activities; (v) developing efficient, cost-effective and financially sustainable processing and marketing enterprises in the private

	sector, to be ultimately run by the primary cooperative societies; and (vi) promoting diversification of the cash and export crops produced by SMEs and smallholders cooperatives, with particular attention to women and very poor households. Total project cost: US\$25.1 million; IFAD loan: US\$16.3 million.
United Republic of Tanzania: Rural Financial Services Programme	The main objectives of the programme are to: (i) support the design, development and implementation of a financial architecture with roots at the village or ward level in the form of microfinance institutions (MFIs) such as village banks or SACCOs/SACAs (savings and credit cooperatives), with emphasis placed on savings mobilization, the payment system, the extensions of financial services and governance; (ii) enhance technical, operational and outreach capacity of MFIs for savings and lending operations to enable them to provide a broad range of financial services to the rural poor (consisting of both individuals and groups, including the landless and women) for potential production and income-generating activities, based on appropriate selection criteria, instruments and modalities; (iii) empower the rural poor through minimizing the legal, regulatory and social barriers constraining their active participation within MFIs and providing them with the opportunity to enhance their business and technical skills; and (iv) strengthen the financial instruments, skills and capital base of the grass-roots MFIs and the financial intermediaries (commercial/community banks) to enable them to ensure economies of scale, efficiency and operational viability and flexibility. Total programme cost: US\$23.8 million; IFAD loan: US\$16.3 million.
<i>Country and project name: Completion evaluations</i>	<i>Project objectives</i>
Lao People's Democratic Republic: Oudomxai Community Initiatives Support Project	The project's overall goal is sustained reduction in poverty and improvement of the economic and social conditions of the targeted population. Specific objectives are increased income, food security and returns to land and labour based on sustainable farming practices, natural resource management and improved living standards of the target population. The expected outputs are: (i) communities and their organizations mobilized and strengthened through participatory and gender-sensitive development, with government agencies and other service providers able to respond to farmers' (men's and women's) needs as expressed during the participatory planning process; (ii) increase awareness of alternatives to shifting cultivation and opium production and of ways to improve upland farming systems and natural resource management, and subsequent adoption of improved methods for a sustained increase in farm production and income; (iii) improved access to sustainable and gender-sensitive rural financial services; (iv) improved access to irrigation, safe drinking water, a school dormitory programme and road communications; and (v) a functioning system of decentralized and participatory development, with planning, financing and implementation established and project services delivered to a target group in a participatory, sustainable and timely manner. Total project cost: US\$21.1 million; IFAD loan US\$13.4 million.

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</i>	<i>Present status</i>
Priority A: Conducting of selected corporate-level, country programme and project evaluations	1. Corporate-level evaluations	Peer Review of OE and IFAD's Evaluation Function	To be completed in April 2010	Undertaken as scheduled by the ECG
		AfDB-IFAD joint evaluation on agricultural and rural development policies and operations in Africa	To be completed in June 2009	Will be completed in December 2009 and discussed by the Evaluation Committee and Executive Board in the same month
		IFAD's capacity to promote pro-poor replicable innovations	To be completed in December 2009	Will be completed as scheduled
		Approaches and results in promoting gender equity and women's empowerment in IFAD operations	To start in October 2009	Undertaken as scheduled
		IFAD's Private-Sector Development and Partnership Strategy	To start in November 2010	Will be commenced in November 2009, so that the evaluation can provide building blocks for the preparation of the new IFAD private-sector strategy to be presented to the Board in 2011
	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	CPE will be deferred to a later date. This will enable OE to use the resources for conducting the CLE on private-sector development and partnership strategy (see above). Management will conduct a self evaluation in 2010, and OE will provide inputs to this process
		Haiti	To start in November 2009	Will be deferred to a later date. This will enable OE to use the resources for conducting the CLE on private-sector development and partnership strategy (see above)
		India	To be completed in December 2009	Undertaken as scheduled. Evaluation Committee will undertake its field visit to India from 7-11 December 2009
		Kenya	To start in November 2009	Undertaken as scheduled

<i>Priority Area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation</i>	<i>Present status</i>
		Mozambique	To be completed in September 2009	Completed and will be discussed with the Committee in October 2009. The national round-table workshop will be held in the first part of 2010. The Evaluation Committee will attend the planned workshop as part of its 2010 annual field visit
		Niger	To be completed in December 2009	National round-table workshop will be held in early 2010
		Sudan	To be completed in March 2009	Completed
		Yemen	To start in November 2009	Undertaken as scheduled
	3. Project evaluations	Ethiopia: Rural Financial Intermediation Programme	To be completed in August 2009	Will be completed in October 2009
	3.1. Interim evaluations	Uganda: Vegetable Oil Development Project	To be completed in August 2009	Will be completed in October 2009
	3.2. Completion evaluations	Benin: Roots and Tubers Development Programme	To be completed in August 2009	Will be completed in October 2009
		China: West Guangxi Poverty-Alleviation Project	To be completed in August 2009	Completed
		Dominican Republic: South Western Region Small Farmers Project – Phase II	To be completed in August 2009	Started in September 2009, owing to unforeseen leave exigencies of designated lead evaluator. Will be completed in 2010
		Yemen: Raymah Area Development Project	To be completed in August 2009	Will be completed in October 2009
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	The Evaluation Committee will undertake its annual field visit to India from 7 to 11 December 2009, as per plan
		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	Undertaken as scheduled
		Seventh Annual Report on Results and Impact of IFAD's Operations (ARRI)	To be completed in December 2009	Completed

<i>Priority Area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation</i>	<i>Present status</i>
		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	Undertaken as scheduled
		OE comments on selected IFAD operations policies prepared by IFAD Management for consideration by the Evaluation Committee	To be completed in December 2009	Undertaken as scheduled. OE comments on the rural finance and indigenous peoples policies completed. The comments on the new grants policy will be presented to the December 2009 session of the Committee and Board, as per plan
		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, five 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 Committee members in June 2009
Priority C: Evaluation outreach and partnerships	5. Communication activities	Evaluation reports, Profiles, Insights, OE website, etc.	January-December 2009	Undertaken as scheduled
	6. Partnerships	ECG, Network of Networks on Impact Evaluation (NONIE), UNEG and SDC partnership	January-December 2009	Undertaken as scheduled
	7. Quality enhancement and OSCs required	Participate in selected in-house quality enhancement processes, for example by attending OSC meetings that discuss corporate policies and strategies, COSOPs, and projects evaluated by OE being considered for a follow-up phase	January-December 2009	Undertaken as scheduled
	8. Evaluation capacity development	Development of an approach for evaluation capacity development in partner countries	January-December 2009	Completed

<i>Priority Area</i>	<i>Type of work</i>	<i>Evaluation activities</i>	<i>Planned implementation</i>	<i>Present status</i>
Priority D: Evaluation methodology and effectiveness of OE	9. Methodological work	Publication and dissemination on the new Evaluation Manual, together with training in its use	January-December 2009	Undertaken as scheduled
		Quality assurance and supervision of methodology application	January-December 2009	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	Undertaken as scheduled
		OE internal peer reviews of all evaluations	January-December 2009	Undertaken as scheduled

Strengthening the evaluation learning loop at IFAD

A. Introduction

1. At its fifty-sixth session in June 2009 the Evaluation Committee requested OE to produce a short note on the opportunities and challenges in strengthening the evaluation learning loop at IFAD. The objective of this annex is therefore to:
(i) identify the main users of evaluations; (ii) take stock of the current activities and instruments for promoting learning; and (iii) provide options for strengthening the learning loop in the future.

B. Main users of OE evaluations

2. The primary audience of OE evaluations includes: (i) the IFAD Executive Board and Evaluation Committee; (ii) IFAD Management; and (iii) governments, project/programme authorities, implementing agencies, NGOs and other country-level stakeholders. There are also other (secondary) audiences such as multilateral and bilateral organizations, academic and research institutions, and the public at large.

C. IFAD evaluation learning loop

3. Independent evaluation plays an important role in the learning loop at IFAD and at the country level. Evaluation feeds into the development of new COSOPs, and into the design and implementation of new projects/programmes and corporate-level policies and strategies. In addition, evaluation lessons enhance the knowledge base at IFAD, which is essential in country strategy development, project design and implementation, and in furthering the Fund's efforts in advocacy and policy dialogue.

D. Current activities and instruments used by OE to promote learning

4. To increase the usefulness of OE evaluations in terms of learning, the Evaluation Policy requires that an **interim evaluation** be undertaken in all projects that may be considered for a subsequent phase by IFAD. The aim of this provision is to ensure that lessons from the previous phase can inform the design and implementation of the subsequent phase. Likewise, as a matter of principle, CPEs are undertaken in such a manner that they feed directly into the design of new COSOPs. Similarly, CLEs are conducted by OE before IFAD Management prepares new corporate policies and strategies on the same topic (e.g. gender).
5. The new Evaluation Manual introduced in 2009 calls for a much greater focus on learning. In particular, it devotes attention to analyzing the "**why**" factor in each evaluation by OE. That is, in addition to assessing the results achieved on the ground, evaluations make a concerted effort to discern the proximate causes of good or less good performance, as the latter is critical for improving the design and implementation of policies, strategies and projects.
6. Within the evaluation process itself, several key instruments are critical for promoting learning. One such instrument is the **core learning partnership (CLP)**. Members of the CLP are the main users of the evaluation from IFAD and the project(s) and country concerned, including civil society representatives. The role of the CLP is to assist in flagging issues and information sources, and providing comments at key stages of the process (such as the draft approach paper and draft final evaluation report). Once the independent evaluation report is completed, the CLP debates its findings and discusses the recommendations with a view to laying the groundwork for development of the agreement at completion point, with CLP members taking part in the final learning workshop organized for each evaluation (see next paragraph).

7. Another key instrument is represented by the **learning workshops organized in the countries concerned** at the end of each evaluation. These multi-stakeholder workshops allow for an exchange of views and experiences on the main thematic issues and lessons learned emerging from evaluation. Workshops also serve as an opportunity to bring to the attention of senior government officials and others findings that are critical both for policymaking and for programme design and implementation.
8. OE's annual flagship document, the **ARRI** report, is used as a vehicle for promoting learning as well. Since 2007, the ARRI report has included two dedicated sections on selected themes (e.g. sustainability and innovations in 2007) for which performance in the past has been found to be inadequate. In this regard, OE prepares specific issue papers on the selected theme(s), by synthesizing previous evaluative experiences from IFAD and capturing best practices and lessons learned from other organizations. The issue papers are then discussed in workshops with IFAD Management and staff, who collectively discuss the remedial measures that can be deployed to enhance future performance in the selected thematic areas. The Evaluation Committee and Executive Board also have the opportunity to contribute to the debate on the ARRI report when it is presented for their consideration.
9. A **website dedicated to evaluation** is included under the IFAD corporate website. All evaluation reports, Profiles and Insights (see paragraph 12 below) are disclosed through the web to the public at large, in accordance with the IFAD Evaluation Policy. The website has a search engine, allowing users to retrieve evaluation knowledge using different criteria (e.g. region, country, etc.).
10. OE **participates in selected in-house platforms** (such as OSCs and CPMTs) to share and deepen the understanding around evaluation issues and lessons learned in the course of the development of new IFAD policies, strategies and operations.
11. OE **analyzes selected new corporate policies and strategies** prepared by Management for Board approval, and submits comments on the document for consideration by the Committee and the Board. OE concentrates on assessing the extent to which lessons learned and recommendations from past OE evaluations on the same topic are incorporated into the new policy.
12. In order to ensure broader learning and outreach, OE produces **Profiles** for all evaluations and **Insights** for CPEs and CLEs. Profiles and Insights are brochures 500-700 words in length. Profiles provide a succinct account of the main results and recommendations deriving from evaluations, whereas Insights are dedicated to one key theme/lesson that has emerged from a specific evaluation. Insights are intended to raise further debate and promote an exchange of views among development practitioners.
13. The **Evaluation Committee and Executive Board** play a critical function in promoting the evaluation learning loop. By considering selected evaluation reports, the Committee and Board are in a position to request IFAD Management to develop new policies, strategies and operations or make adjustments in existing ones that can contribute to achieving better results on the ground. The Evaluation Committee holds a minimum of four sessions per year and additional informal sessions as required, while the Board considers numerous evaluation items during its three sessions each year. Together, these provide valuable opportunities for the governing bodies to contribute to furthering the evaluation learning loop.
14. Under a new practice introduced this year, OE will increasingly devote attention to assessing the **quality at entry** of new COSOPs and projects approved by the Board within the framework of the ARRI report, CLEs and CPEs. The main aim is to measure the extent to which new strategies and operations have internalized and been informed by lessons learned and experiences from past independent evaluations.

E. Options for strengthening the learning loop

15. The ongoing Peer Review of OE and IFAD's Evaluation Function will assess the strengths and weaknesses of the evaluation learning loop, and is expected to generate proposals for improving it in the future. However, in the meantime, there are few measures that can already be implemented in 2010, which could lead to further improvements in learning. These include:
 - Ensure more active participation of OE staff within in-house platforms that offer an opportunity for incorporating evaluation lessons into the design and implementation of new policies, strategies and projects. Given resource limitations, however, OE will have to be selective in its choice of platforms. Priority will be given to cases in which OE has previous evaluative evidence of relevance to share.
 - Strengthen the functioning of OE's internal working group on knowledge management and enhance the engagement of OE in IFAD's corporate knowledge management working group, which is responsible for implementing IFAD's knowledge management strategy.
 - Focus the ARRI report on one learning theme only from 2010 onwards, rather than the two that have been addressed in the past. This will enable deeper analysis and learning, and would be consistent with the practice followed in other multilateral organizations producing a report comparable to the ARRI report.

Progress report on the OE Results Measurement Framework

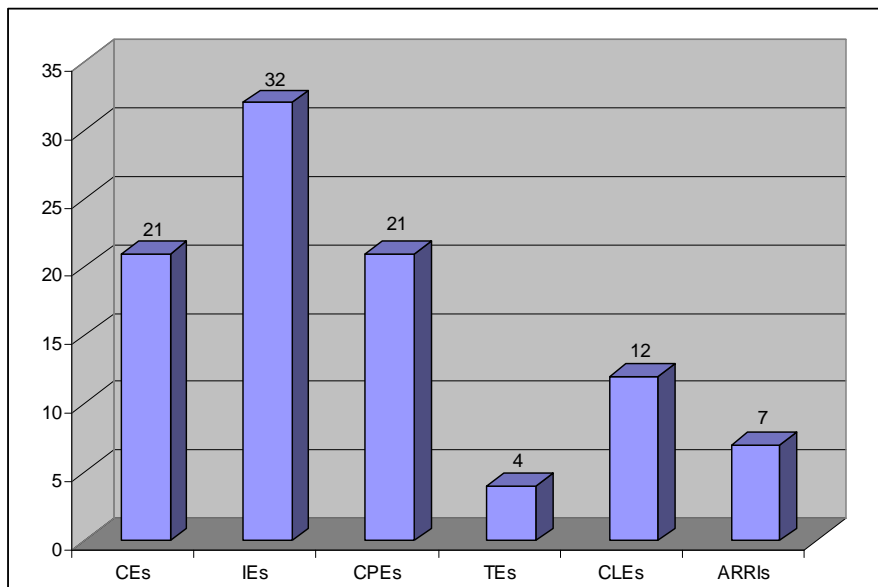
1. While approving the work programme in December 2008, the Board adopted a Results Measurement Framework (RMF) for OE. The RMF is one of the measures introduced in order to monitor the effectiveness and quality of work of OE.
2. The RMF specifies two types of indicators of effectiveness at the: (i) results and (ii) output levels. A total of twelve indicators are specified in the RMF: three at the results level and nine at the output level (see EB 2008/95/R.2/Rev.1, annex XVI).
3. The details of progress and achievements measured against each indicator can be seen in the table on the next page. Broadly speaking, the review of output-level indicators shows that OE successfully delivered in terms of corporate-level priorities, including: timely provision of comments on IFAD policies (i.e. IFAD Rural Finance Policy and IFAD Policy on Engagement with Indigenous Peoples) and the PRISMA report. These documents were discussed, respectively, by the Evaluation Committee in April and July 2009. Comments on the RIDE report will be produced as per standard practice and discussed by the Evaluation Committee and the Board at their sessions in December 2009. The ARRI report has been produced and will be discussed by the Evaluation Committee in October and the Executive Board in December 2009. All planned Evaluation Committee sessions have been organized, in addition to one extra unforeseen session in September. The field visit of the Committee to India will take place in December 2009.
4. All evaluations have been conducted in accordance with the Evaluation Policy. The evaluations included in the 2009 work programme are on track, with the exception of the AfDB-IFAD joint evaluation, the Argentina CPE and the project evaluation in the Dominican Republic for reasons beyond the control of OE (see paragraph 74 in the main document). In terms of dissemination, evaluation reports, Profiles and Insights were issued within three months of the completion of the agreement at completion point in four cases (Argentina, the Democratic People's Republic of Korea, Madagascar and Pakistan). In two cases (Nigeria and The Sudan), the issuing of the final report, Profile and Insight took longer than three months, given that the Evaluation Communication Unit was absorbed at the time in the translation, production and release of the new Evaluation Manual.
5. The review of the results-level indicators reveals the usefulness of evaluations and their contribution to enhancing IFAD's performance. As presented in the 2009 PRISMA, recommendations from all evaluations in 2007 were adopted by Management and by the governments concerned. The review of various reports of the Evaluation Committee chairperson indicates a high level of satisfaction on the part of the Committee with regard to the main findings and recommendations of the evaluations considered.

Summary of progress as measured against the 12 indicators in the OE RMF

<i>Indicator</i>	<i>Summary of progress</i>
1. Evaluation recommendations adopted by IFAD Management and the government concerned, as captured in the agreement at completion point (ACP)	Based on the evaluations completed in 2007, it is evident that all recommendations (100 per cent) were adopted by the Management and the concerned government. However, 7 per cent of the recommendations adopted were not implemented due to the changing development context in the country concerned (see PRISMA 2009, EB 2009/97/R.9).
2. Senior independent advisers (SIAs) convey their full satisfaction with quality of evaluation process and content	SIAs have been recruited for all CPEs and CLEs in 2009, and all of them are required to produce written reports on the quality and content of the corresponding evaluations (e.g. on the joint Africa evaluation and India CPE).
3. Evaluation Committee (EC) and Executive Board (EB) express their broad agreement with the key evaluation findings and recommendations	In 2009, in its fifty-fifth session, the Committee reviewed the CPE Nigeria and the interim evaluation of the Uplands Food Security Project in the Democratic People's Republic of Korea. In its fifty-seventh session, the Committee reviewed the completion evaluation of the Rural Development Project for the North-eastern Provinces (PRODERNEA) in Argentina. Committee members commended OE on the high quality of these evaluations and expressed their broad agreement with its main findings and recommendations (see EB 2009/96/R.4, paragraphs 3 and 12, and EB 2009/97/R.6, paragraph 10).
4. Evaluations completed against annual targets in accordance with the work programme	All planned evaluations have been completed. There are delays in three evaluation (refer to footnote 2 in the main document)
5. Evaluation reports, Profiles and Insights issued within three months of established completion date (following signing of ACP)	Out of 6 evaluations completed, in 4 cases OE succeeded to release all communication products within 3 months (Pakistan CPE, and the Democratic People's Republic of Korea, Argentina and Madagascar project evaluations).
6. Number of planned EC sessions and annual field visits held in accordance to work programme.	Five formal sessions have been undertaken in 2009. A sixth one is planned in December. The annual field visit will also take place from 7-11 December, as decided by the Committee, to India in the context of the CPE national round-table workshop.
7. ARRI report produced annually and discussed with EC and EB, in accordance with established practice	The 2009 ARRI has been produced and discussed with the Committee. It will be discussed with the Board in December 2009, as per normal practice, together with the Management response.
8. Written comments prepared on PRISMA, RIDE and selected corporate policies in a timely manner	OE prepared its comments on the new IFAD Rural Finance policy (see EC 56), the PRISMA and indigenous people policy (EC 57). It will prepare and present its comments on the new IFAD grants policy for discussion with the Committee in December 2009.
9. Evaluation reports, Profiles and Insights disseminated to internal and external audiences	As per standard practice of OE, the evaluation report, Profile, Insight of each CPE are distributed to a total of 150 partners including IFAD staff, country governments, Board members, donors, evaluation outfits in other organizations and other stakeholders. For each project evaluation, a total of 120 copies are distributed to broadly similar audiences. All evaluation reports, Profiles and Insights are made publicly available through the OE website. All completed evaluations have been disseminated according to the above guidelines.
10. Number of hits on the evaluation section of the corporate website	This indicator will be applicable after 2010 when IFAD SharePoint will be moved to the United Nations International Computing Centre (UNICC) in Geneva, which will introduce a new application called Control-Point for managing users statistics.
11. Evaluations conducted with internal peer reviews and higher-plane evaluations with SIAs	This indicator is applied to all evaluations launched in 2009 after endorsement of the OE Evaluation Manual. OE developed internal peer review guidelines, which are applied to all evaluations. SIAs have been recruited for all higher-plane evaluations (see indicator 2 above).
12. Evaluations in full compliance with the Evaluation Policy	All evaluations have been undertaken in compliance with the IFAD Evaluation Policy.

Independent evaluations (2003-2009)

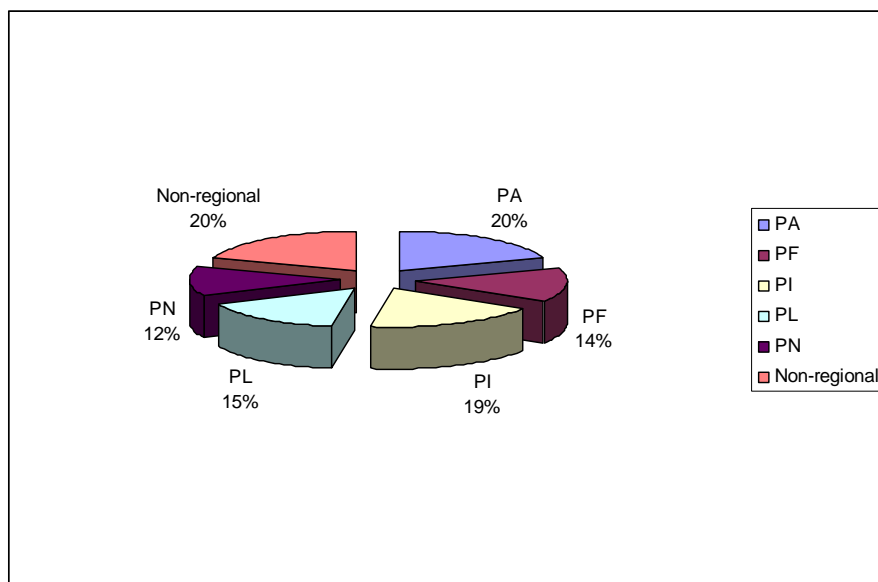
Number of evaluations by evaluation type (2003-2009)



Legend

- CEs Completion evaluations
- IEs Interim evaluations
- CPEs Country programme evaluations
- TEs Thematic evaluations
- CLEs Corporate-level evaluations
- ARRIs Annual Reports on Results and Impact of IFAD Operations

Distribution of evaluations by region (2003-2009)



Legend

- PA Western and Central Africa Division
- PF Eastern and Southern Africa Division
- PI Asia and the Pacific Division
- PL Latin American and the Caribbean Division
- PN Near East and North Africa Division