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**Report of the Audit Committee on
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: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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Report of the Audit Committee on 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

1. In accordance with procedures adopted by the Executive Board at its eighty-first session, the Audit Committee reviewed 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 (2010 POW&B) (AC 2009/109/R.4) at its 109th meeting, on 5 November 2009. The Committee expressed its appreciation for the clarity of the document and the continuous improvement in its presentation from year to year. The Committee presents below the topics pertaining to the 2010 POW&B, which it would like to bring to the attention of the Executive Board.

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

2. The Committee took note of the document, which establishes a new results-oriented basis for budgeting in IFAD while also providing information for the transition from the previous approach. The integration of the administrative budget and the Programme Development Financing Facility into one administrative budget was appreciated by the Committee. The Committee recognized that IFAD must raise the level of its programme of work very rapidly over the next three years, and that the proposed programme of work and administrative budget reflect that need, with the growth in the administrative budget focused on strengthening capabilities in the area of country programme development and implementation.
3. The need for further efficiency gains was emphasized, as was the need for a greater shift of resources from administration to operations. It was noted that these changes require reform in IFAD's administrative and operational processes, and that Management plans to implement relevant reforms in the course of 2010, under the aegis of IFAD's new medium-term plan. The establishment of greater control over staff unit costs will be an essential element in raising efficiency. A Committee member emphasized that further information was needed on all these points.
4. Another Committee member suggested that despite the fact that the budget seems to be moving in the right direction, the proposed real increase in the administrative budget is relatively high in the context of the containment of public spending in many countries, arising from the financial sector crisis and economic downturn. In this context, a lower real increase in the administrative budget would have been more realistic.

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

5. In his introduction, the Director, Office of Evaluation (OE) noted that the OE proposal had taken into account the comments made by the Evaluation Committee in July and the Executive Board in September 2009. The proposal had also been discussed at the fifty-ninth session of the Evaluation Committee in October, where there was broad agreement with the content. The Director, OE emphasized that the OE's priority areas and corresponding activities have been mapped to IFAD's corporate management results, which are enshrined in IFAD's 2010 programme of work. OE's proposed budget is based on a decrease in real terms of 2.3 per cent

against the 2009 OE budget. The proposed OE budget is based on the cost parameters suggested by the Strategic Planning and Budget Division, in particular regarding the euro–United States dollar exchange rate, the inflation rate for non-staff costs, and the standard position costs for IFAD staff.

6. Committee members noted the proposed decrease in real terms and raised some queries regarding the proposed OE activities for 2010 and the presumed cap on OE's administrative budget. The Director, OE clarified that the real decrease had been made possible by efficiency gains achieved, for example, through the application of an enhanced evaluation methodology and process that allow individual projects also to be assessed as part of country programme evaluations. He confirmed that the Executive Board in December 2008 had agreed to place a cap on OE's administrative budget (at 0.9 per cent of IFAD's annual programme of work) and that the proposed 2010 budget, at 0.78 per cent, is well within the cap.
7. In light of the above considerations, the Committee recommended that the Executive Board approve the proposed programme of work of US\$800 million, endorse the proposed 2010 administrative budget of the Office of Evaluation at the level of US\$6.2 million, and endorse the capital budget for IFAD in the proposed amount of US\$3.53 million. The Chairman took note that, while some members were still to ascertain their final position, the majority of Committee members recommended that the Executive Board endorse the 2010 administrative budget of IFAD in the proposed amount of US\$131.99 million (at the exchange rate of EUR 0.72/ US\$1.00).

