

Document: GC 44/L.8  
Agenda: 10  
Date: 18 January 2021  
Distribution: Public  
Original: English

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**IFAD's 2021 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2021 and indicative plan for 2022-2023, and the HIPC and PBAS progress reports**

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Governing Council — Forty-fourth Session  
Rome, 17-18 February 2021

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**For: Approval**

## **IFAD's 2021 results-based programme of work and regular and capital budgets, the IOE results-based work programme and budget for 2021 and indicative plan for 2022-2023, and the HIPC and PBAS progress reports**

1. The attached document sets forth IFAD's 2021 results-based programme of work and regular, capital and special expenditure budgets, the budget of the Independent Office of Evaluation of IFAD (IOE) for 2021 and indicative plan for 2022-2023, and the progress reports on IFAD's participation in the Heavily Indebted Poor Countries (HIPC) Debt Initiative and implementation of the performance-based allocation system (PBAS).
2. The programme of work for 2021 was approved by the Executive Board at its reconvened 131<sup>st</sup> session in December 2020. A level of SDR 548 million (US\$778 million) in nominal terms was approved for planning purposes, subject to a review of the resources available for commitment during the course of 2021.
3. The Executive Board also reviewed the progress reports on IFAD's participation in the HIPC Debt Initiative and on the implementation of the PBAS and its addendum, containing the 2020 country scores and 2019-2021 country allocations, and recommended that both progress reports be transmitted to the Governing Council for information.
4. In accordance with article 6, section 10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD, and on the recommendation of the Executive Board, IFAD's 2021 results-based programme of work and regular and capital budgets and the programme of work and budget of IOE for 2021 and indicative plan for 2022-2023 are transmitted to the Governing Council for approval.
5. Accordingly, it is recommended that the Governing Council adopt the attached draft resolution, approving IFAD's 2021 regular and capital budgets, the programme of work and budget of IOE for 2021 and indicative plan for 2022-2023 in the amounts indicated.

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## Abbreviations and acronyms

ARRI	Annual Report on the Results and Impact of IFAD Operations
ASAP	Adaptation for Smallholder Agriculture Programme
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CSD	Corporate Services Department
CSPE	country strategy and programme evaluation
CSSG	Corporate Services Support Group
DMR	divisional management result
ECD	evaluation capacity development
ECG	Environment, Climate, Gender and Social Inclusion Division
ERG	External Relations and Governance Department
ESR	evaluation synthesis report
ERMF	Enterprise Risk Management Framework
FAO	Food and Agriculture Organization of the United Nations
FCD	Financial Controller's Division
FOD	Financial Operations Department
FTE	full-time equivalent
GIS	geographic information system
HIPC	Highly Indebted Poor Countries Initiative
HRD	Human Resources Division
ICO	IFAD Country Office
ICT	Information and Communications Technology Division
IE	impact evaluation
IFAD12	Twelfth Replenishment of IFAD's Resources
IOE	Independent Office of Evaluation of IFAD
IOGs	institutional output groups
M&E	monitoring and evaluation
OPV	Office of the President and Vice-President
OSB	Office of Strategic Budgeting
PCE	project cluster evaluation
PCR	project completion report
PCRV	project completion report validation
PMD	Programme Management Department
PoLG	programme of loans and grants
PoW	programme of work
PPE	project performance evaluation
PPTP	People, Process and Technology Plan
PRISMA	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions
RBA	Rome-based agencies
RIDE	Report on IFAD's Development Effectiveness
RMO	Office of Enterprise Risk Management
SDG	Sustainable Development Goal
SKD	Strategy and Knowledge Department
SO	strategic objective
SRE	subregional evaluation
SWP	strategic workforce planning
TE	thematic evaluation
WFP	World Food Programme

## Executive summary

1. Worldwide, the number of people suffering from hunger is estimated at 690 million, and this staggering figure is expected to increase by another 130 million due to the COVID-19 pandemic. The number of acutely food-insecure people in countries reeling from the combined impact of conflict, climate change and economic crisis could spike from an estimated 149 million pre-COVID-19 to 270 million before year-end. With only nine years left to achieve the Sustainable Development Goals and accelerate progress to end extreme poverty and achieve food security, IFAD must redouble its efforts if it is to play a significant role in meeting these global development priorities.
2. Given IFAD's overarching goal of doubling its impact by 2030, transformative approaches are needed both internally and externally in the way IFAD engages with stakeholders. IFAD thus needs to aspire to three major changes: (i) country programmes should be transformational in their ambition and at the centre of IFAD's focus; (ii) this shift must be supported by changes in the institution; and (iii) the change processes must be accompanied by a reframed financial framework. While current challenges are considerable, IFAD is well positioned to deliver impact in support of COVID-19 response and recovery, as well to build greater resilience to crises, especially for the populations most at risk and for countries most in need.
3. The year 2021 will be a time to continue working on sweeping reforms and improved budget management practices. These efforts form part of a strategic consolidation aimed at obtaining greater implementation flexibility and a reduced burden of administrative costs, without compromising on the due diligence required in an environment of budgetary austerity. Moreover, 2021 is expected to be a year of further workforce adjustment as a result of a reassignment exercise and a strategic workforce plan to determine staffing complements and departmental structures, informed in part by the results of the 2019 McKinsey human resources study. Based on the long-term strategic trajectory to double impact, senior Management has identified three corporate priorities for 2021: (i) strengthening the agility, capacity and adaptability of IFAD's workforce and field presence, as well as its proximity to beneficiaries; (ii) diversifying and expanding IFAD's resource base; and (iii) ensuring fiscal responsibility through greater financial sustainability and enhanced enterprise risk management.
4. The projected IFAD programme of loans and grants (PoLG) for 2021 is US\$934 million, composed of 28 new projects and six additional financing proposals for ongoing projects, one for scaling up successful activities and the others to fill existing financing gaps. Following the frontloading of investments in 2019 and the projected delivery for 2020, priority will be given to implementation by ensuring effective project start-up and continuing to focus on strengthening performance and quality during implementation with a view to achieving the targets set for the Eleventh Replenishment of IFAD's Resources period. This is particularly important given the adaptations needed to provide implementation support and supervision during 2020 given the COVID-19 pandemic. Management will continue its efforts to ensure quality at entry, maintaining a consistent efficiency ratio above US\$55 of total active portfolio per each US\$1 of administrative expenses.
5. The primary cost drivers as of this writing are as follows: (i) adjustments to staffing complements in IFAD Country Offices (ICOs) for the next stage of optimizing the capacity, capability and complementarity of IFAD's field presence; (ii) staff costs arising from consolidation of reforms; (iii) depreciation and other recurrent expenses related to capital budgets; and (iv) non-staff costs from corporate and operational adjustments in the context of a new normal in light of the COVID-19 crisis.

6. Real cost increases, especially in additional staffing requirements, have been offset, to a large extent, by significant reductions in the travel cost category following a rigorous and systematic review of departmental requests.
7. The 2021 net regular budget is proposed at US\$159.4 million, representing a 0.96 per cent nominal increase vis-à-vis the 2020 budget of US\$157.90 million (aligned with the high-level preview). The nominal increase derives from the net effect of inflation, within-grade step increment adjustments and realignment of standard staff costs. The exchange rate used for the final budget proposal is EUR 0.885: US\$1 (the same rate used in the preview and 2020 budget).
8. The zero real increase is the net effect of: (i) net real staff cost increases (US\$1,140,000); (ii) depreciation (US\$200,000); (iii) estimated rent, common services and running costs of ICOs (US\$600,000); and (iv) an increase in consultancy and other costs (US\$2,320,000) offset by a real decrease in travel (US\$2,640,000).
9. In regard to the gross budget for 2021, the proposed amount of US\$164.1 million includes US\$4.7 million to cover the cost of managing operations funded by supplementary funds, which are external but complementary to the PoLG. This amount can be fully recovered from the annual allocable portion of the fee income generated by supplementary funds management.
10. In 2020, IFAD continued with its ambitious agenda to become fit for purpose in light of the evolving business model and the goal to double impact by 2030. Building on the outcome of the human resources study conducted by McKinsey in 2019, IFAD worked on further operationalizing the projections in terms of human capital, skills mix and policy flexibility. Management will address the gaps and mismatches in capacity as well as capabilities. The divisional upskilling and reskilling plan will be largely in place in 2021, and the new staffing plan will be implemented gradually from 2021 to 2024.
11. This effort on the human resource side is part of the wider People, Processes and Technology Plan (PPTP) undertaken by IFAD. During 2020, the amount of US\$5.375 million was drawn down for this critical initiative from the special budget item for targeted capacity investment. To continue with the activities set out in the PPTP workplan, IFAD will draw down the second tranche of the PPTP budget in 2021, amounting to US\$4.165 million. Among the activities to be funded from this amount are the staff separation programme, the implementation of selected business process re-engineering recommendations and the analysis and piloting of strategic and data driven automation use cases. A detailed progress report on the PPTP is being provided to Member States as a separate document.
12. In 2020 IFAD continued to further reinforce its Enterprise Risk Management Framework, including with the creation of a new Office of Enterprise Risk Management (RMO). The amount of US\$600,000 was allocated to this end in 2020, over and above set-up costs. This significant investment in professional capacity and skill in the risk domain speaks to IFAD's emphasis on fiscal responsibility as one of the three main corporate priorities for 2021.
13. The 2021 capital budget envelope amounts to US\$6.75 million, comprising US\$1.71 million to cover cyclical and business continuity capital expenditures, US\$2.63 million related to the 2021 corporate priorities of decentralization, diversification of the resource base and increased financial responsibility and sustainability, as well as an additional investment of US\$2.41 million for other cross-cutting non-priority initiatives, such as procurement systems, new Operational Results Management System modules and functionalities, vehicle replacement and the establishment or enhancement of ICOs and IFAD liaison offices. Opportunities for major system enhancements have been identified to continue the completion of IFAD's robust financial IT architecture, as well as leveraging institutional efficiency opportunities with targeted projects.

## Recommendation for approval

The Governing Council is invited to approve the recommendation as contained in part five of this document and to adopt the draft resolution contained in page 45.

## Part one – IFAD’s 2021 results-based programme of work and regular, capital and special expenditure budgets

### I. Context

1. The 2020 report on the State of Food Security and Nutrition in the World notes that the full effects of the COVID-19 pandemic will only become apparent in the months and years to come. The latest editions of this report have presented evidence that the world’s decades-long decline in hunger has, regrettably, ended. Furthermore, hunger and food insecurity are not the only present challenges – overweight and obesity, and other forms of malnutrition, are also rife. In this landscape, continued efforts from development institutions are being called for by Member States, beneficiary countries and other stakeholders. IFAD stands out for its focus and experience in investing in inclusive and sustainable rural transformation. It is therefore strategically positioned to play a key role in actively responding to these needs.
2. IFAD’s ambition for the nine years of action remaining to achieve the Sustainable Development Goals (SDGs), particularly in light of the challenges now posed by the novel COVID-19 pandemic, will be driven by its operational offer for the Twelfth Replenishment of IFAD’s Resources (IFAD12) covering the period from 2022 to 2024. The year 2021 will be a time to leverage IFAD’s increased proximity to clients to respond to their needs with greater agility and flexibility, ensuring responsiveness to shocks and risks as they arise, and enhancing the resilience of the rural poor to those shocks.
3. In 2020 IFAD started to implement an enhanced business model and a revamped financial architecture. Strategic workforce planning, staff reassignment and actions taken in response to the 2019 McKinsey study are increasingly important in helping IFAD deliver on its objectives. Continued progress on decentralizing the business model and current resources, benchmarking against other international financial institutions (IFIs) and United Nations organizations and “rightsizing” to ensure adequate human capital to meet demand were of paramount importance in 2020 and will continue to be in 2021.
4. Next year will be the last year of the IFAD11 period but will also see an increase in activities related to the IFAD12 business model. The focus will be on two main principles for increased and deepened impact. The first principle is proximity. At the time of the IFAD11 Consultation, only 16 per cent of IFAD’s staff was based in field offices. In line with the IFAD12 Results Management Framework, continued decentralization will take the proportion of operational staff from the current 33 per cent to 36 per cent with the proposed new positions for 2021 to increase field presence – with a target of deploying 45 per cent of staff to service and support functions in regional hubs and IFAD Country Offices (ICOs). The COVID-19 pandemic has also shown that IFAD’s field presence matters. It ensures that IFAD plays a role in shaping the response from the United Nations Country Team and in coordinating action with the Rome-based agencies, IFIs and other development partners in the field during times of crisis.



5. Based on lessons learned in the last few years of decentralization and IFAD's rapid response to COVID-19, Management is currently conducting a comprehensive analysis of the increased field presence and capability to arrive at the right configuration. This exercise is taking place in tandem with the overall strengthening of IFAD's workforce in the field and responds to the need for greater proximity to beneficiaries.
6. In addition to finalizing IFAD11, 2021 will be a key year in preparing for IFAD12, particularly as regards the design of new projects as well as laying the groundwork for expected more ambitious targets in areas such as climate financing, biodiversity and cofinancing. The second principle of the IFAD12 business model is the need to adopt an adaptive and learning-centred approach to "doing development". Activities related to this approach will be accelerated to ensure IFAD is nimble enough to implement course corrections quickly. Such agility is essential when risks arise that could undermine development objectives and outcomes, or when economic or other shocks emerge. Adequate resources will need to be dedicated to ensure that country teams have the tools and incentives to learn and adapt more quickly. Boosting the quality assurance process and articulating exit strategies during design in 2021 will prime IFAD12 for a strong start.
7. Keeping transformational country programmes at the centre of IFAD12 delivery will involve closer interaction with an array of clients, a deepened approach to mainstreaming and enhanced private sector engagement. Supporting the achievement of these goals will speed the transformation of the institution through the People, Processes and Technology Plan (PPTP) and IFAD's new financial architecture (ensuring financial sustainability while maximizing resources for the poorest countries and the poorest people). IFAD must therefore build interventions in 2021 that help mitigate the worst impacts of COVID-19 and ensure that the IFAD12 business model places greater emphasis on risk readiness, resilience and adaptive approaches to rural development.
8. Maintaining a highly efficient organization while achieving efficiency gains and savings will continue to be the focus of budget management in 2021. IFAD's ratio of total active portfolio to administrative expenditure was US\$46 during the IFAD10 period. By the end of 2019 this ratio had improved to approximately US\$55. During the last year of the IFAD11 period, IFAD will continue its efforts to maintain this trend and contain the administrative budget while focusing on the targets set for the programme of loans and grants (PoLG) and on corporate priorities for 2021.
9. Overall, 2020 marked the consolidation of IFAD's continued change process to maximize delivery and ensure quality results. Of special note were: (i) the continued roll-out of key items on the internal reform agenda and the rationalization of recent changes within organizational structures, processes and systems; (ii) growing engagement with the private sector through successful initiatives and operations; (iii) continued strengthening of the organization's financial architecture, with improved management procedures and financial tools to support current borrowing activities and a diversified capital structure; and (iv) progress on IFAD 2.0 and the future business model.
10. IFAD's move towards effective enterprise risk management (ERM) requires sustained efforts and investments to achieve tangible progress across all dimensions of the business model. Further acceleration of work on the Enterprise Risk Management Framework (ERMF) is expected to be achieved through the recently established, dedicated Office of Enterprise Risk Management (RMO). The office will lead the way to further implementing, monitoring and maintaining an efficient and effective ERMF that will support IFAD's strategic vision and mandate. All this will come at a cost but will add significant value. In 2021, RMO will need to be further set up and staffed with highly qualified resources, some of whom have been reassigned from other divisions while some are being recruited externally.

RMO will also require external support to facilitate the transition from the present architecture of risk management and controls to a more advanced level of risk maturity through implementation of the risk management process as second line of defence.

11. As a new operational unit, in the coming months RMO will develop the new risk committee structure and relevant charters. In addition, RMO plans to develop and finalize an updated version of the roadmap to full ERM implementation including sequencing and control points, rating-supporting activities in monitoring and controls to contribute to positive stakeholder assessments and evaluations of IFAD's solidity as a borrower and updated metrics for risk appetite reporting in the corporate risk dashboard. RMO will also conduct an assessment and validation exercise on the quality of data and datasets used for monitoring and oversight of level 3 risks.
12. IFAD's move to strengthen its financial architecture also included positioning itself to obtain a strong credit rating. IFAD is the first fund in the United Nations system to receive a public credit rating. The AA+ (stable) rating announced by Fitch Ratings in October 2020 will add momentum to international efforts to catalyse additional financing and to achieve the SDGs by 2030 and ensure no one is left behind. Another key focus in 2020 was on leveraging existing core resources to implement the new IFAD Private Sector Engagement Strategy 2019-2024. This is one of the pillars of the Fund's future financial sustainability. Work to this end will continue in 2021.
13. The consultation process for IFAD12 began in February and will unfold over the course of 2020, until the final resolution is submitted for approval at the 2021 Governing Council. Despite the current challenging circumstances, the replenishment has gained momentum over the last few months, with 10 countries having pledged for IFAD12, including three countries having doubled their pledges from IFAD11. Throughout the consultations to date, Members across all Lists have reiterated their strong support for IFAD and its mandate, and expressed their commitment to mobilizing the resources needed for IFAD to continue supporting poor rural people while remaining financially sustainable in the long term. One of the main lessons learned from prior replenishment exercises is the need to engage more stakeholders earlier and more substantively.
14. As the third and last year of IFAD11, 2021 will be crucial for achieving the programme of work (PoW) targets. Following a record delivery of new project financing in 2019 and a projected 2020 IFAD PoLG of US\$869 million, despite the restrictions imposed by the COVID-19 pandemic on project implementation, the projected IFAD PoLG for 2021 is US\$934 million, reflecting Management's intention to balance delivery of new projects and focus on the quality and performance of projects under implementation, with a view to minimizing the impact of the pandemic and achieving IFAD11 targets.
15. To summarize, IFAD's primary objectives for 2021 will be to: (i) achieve the planned PoLG for IFAD11 with high-quality relevant projects and minimize disruptions caused by the COVID-19 pandemic; (ii) engage effectively with a growing number of stakeholders and ensure a successful replenishment; (iii) consolidate internal reforms; (iv) increase the diversification of funding sources to meet growing demand for development projects; and (v) continue to address the recommendations of the human resources study on workforce capacity and capability shortages.
16. IFAD's PoW is a comprehensive package of measures aimed at improving organizational efficiency, addressing the adequacy of human resources and maximizing impact. Management intends to deliver on this ambitious agenda by combining a cost-effective approach and efficient alignment of resources with

strategic priorities, with the extension of the PPTP, funded by the second tranche of the special budget for the targeted capacity investment (TCI) implementation plan.

## **II. Current perspective**

### **A. Impact of the COVID-19 crisis and IFAD's response**

17. Considering the effects of COVID-19 on the world economy and the resulting impact on food security, it is more important than ever to Members that IFAD concentrate its resources where they are most needed. To enable the Fund to double its impact by 2030, Members expect it to raise its ambitions in the four mainstreaming themes of environment and climate, gender, youth, and nutrition; to improve its business model, and in particular its proximity to governments, beneficiaries and partners; and to become more agile as regards the types of instruments and solutions it can offer. IFAD management is confident to be able to deliver on these expectations. Member States recognize that these ambitions will need to be supported by a strong replenishment and investments in capacity at the country and regional levels. Delivering a comprehensive response to such an unprecedented crisis will require careful targeting of scarce resources.
18. In 2020, the evolving COVID-19 pandemic had a significant impact on IFAD's operations. Throughout the year, most country teams reported either marginal or partial disruption of their programme activities, and some reported that their country operations had been suspended. Of 41 IFAD duty stations, up to 32 had to operate in teleworking mode until summer.
19. In response to the crisis, IFAD has taken swift action to prioritize ongoing work in countries to ensure that development outcomes are not compromised. In the absence of field missions as a result of travel restrictions due to COVID-19, project delivery teams conducted design and supervision missions remotely.
20. By October, many country teams have recovered to almost full operationality, despite the challenges posed by the crisis worldwide. But catch-up activities will have to be conducted in 2021, in particular for problematic projects where remote supervision is not sufficient to keep them on track.

### **B. Update on 2020 programme of loans and grants**

21. As at 26 October 2020, the projected IFAD PoLG for 2020 is US\$869 million, including three emergency operations in response to COVID-19. This is comprised of: two regional programmes (in line with the IFAD11 commitment to pilot regional lending), 22 new programmes/projects (of which three are emergency operations in response to COVID-19 and two are results-based lending (RBL) operations, in line with the IFAD11 commitment to pilot RBLs) and additional financing for eight ongoing projects. Among the additional financing proposals: (i) four are to fill pre-identified financing gaps; (ii) two are to both fill financing gaps and scale up operations; (iii) one is for scaling up; and (iv) one is being designed in response to COVID-19.

#### **Portfolio**

22. As at 25 September 2020, there are 236 projects in the portfolio for a value of US\$8.6 billion. The active grant portfolio comprises 157 grants valued at US\$215 million.
23. Under the global, regional and country grant programme, 19 grants are expected to be approved by the end of 2020, for an approximate value of US\$30 million.

### **C. 2019 and 2020 net regular budget usage**

#### **2019 actual utilization**

24. Actual expenditures against the 2019 regular budget amounted to US\$150.56 million or 95.2 per cent of the approved budget of US\$158.21 million. The slightly higher utilization (compared to 94.5 per cent in 2018) is primarily due

to the results of the reassignment exercise and decentralization having delayed the release of vacancies, thus generating savings on the staff budget component, as well as efficiency gains generated by internal reforms.

Table 1

**Regular budget utilization – actual 2018-2019 and forecast 2020**  
(Millions of United States dollars)

	2018 full year		2019 full year		2020 forecast	
	Budget	Actual	Budget	Actual	Budget	Forecast
Regular budget	155.54	146.95	158.21	150.56	157.90	142.74
<b>Percentage utilization</b>		<b>94.5</b>		<b>95.2</b>		<b>90.4</b>

**2020 forecast**

25. Despite the disruption caused by the global pandemic, efforts to deliver a high-quality and substantial contribution to the overall PoLG target for IFAD11 of US\$3.5 billion are expected to result in budget utilization of US\$142.74 million or about 90.4 per cent in 2020, compared to the 89 per cent estimate in the high-level budget preview. It must be said, however, that the current level of uncertainty makes precise estimates difficult at this point and any projection should be seen as a close approximation.
26. The slight increase in projected budget utilization compared with the high-level preview is based on the latest actual data up to September 2020 and projections for the rest of the year, and reflects some repurposing of expenditure to respond to the challenges imposed by the global pandemic. The exceptional uncertainties IFAD faced this year translate into an estimated lower budget execution.
27. In comparison with 2019, the relatively high drop in budget utilization was mainly due to the pandemic related travel ban. Travel posted a 27 per cent decrease in the first six months year on year, in turn slowing down project implementation and pushing down related costs by 12 per cent for the same period.
28. Table 2 shows 2019 actual, 2020 budgeted and 2020 forecasted budget usage, broken down by department.

Table 2

**Regular budget usage by department, 2019 actuals, 2020 budget and 2020 forecast**  
(Millions of United States dollars)

<i>Department</i>	<i>Actuals 2019</i>	<i>Budget 2020</i>	<i>Budget 2020 (realigned)*</i>	<i>Forecast 2020</i>	<i>Percentage 2020 forecast vs. realigned budget</i>
Office of the President and Vice-President (OPV)	2.87	3.18	3.18	2.38	75
Corporate Services Support Group (CSSG)	7.37	8.77	9.08	8.51	94
External Relations and Governance Department (ERG)	14.79	16.59	16.59	15.12	91
Strategy and Knowledge Department (SKD)	14.07	15.81	15.81	14.25	90
Programme Management Department (PMD)	57.48	62.91	62.91	49.92	79
Financial Operations Department (FOD)	11.31	13.83	13.52	11.81	87
Corporate Services Department (CSD)	30.27	26.77	26.77	31.70	118
Corporate cost centre	12.42	10.04	10.04	9.04	90
Planned reductions	-	-	-	-	-
<b>Total</b>	<b>150.57</b>	<b>157.90</b>	<b>157.90</b>	<b>142.74</b>	<b>90.4</b>

\* The realigned budget reflects the revised organizational structure after the move of the risk unit from FOD to CSSG effective on 1 September 2020.

29. The lower utilization compared to 2019 arises largely from items deriving from the impact of COVID-19, in particular significant decreases in travel and consultancy expenditures. This is reflected in particular in departments with larger travel components such as OPV and PMD. On the other hand, CSD has seen an unexpected and substantial increase in expenditure, specifically in facilities management for COVID-19 containment and management, as well as IT costs to adapt infrastructure to the new teleworking and hybrid working arrangements.
30. Overall, the projected lower percentage utilization in 2020 can be attributed primarily to COVID-19. Additionally, some of the efficiency gains introduced by Management in 2019 materialized and were consolidated in 2020. This has helped IFAD to maintain a conservative approach in the use of resources without compromising on the need for assistance to its beneficiaries, in light of the environment of uncertainty around operations brought by the global pandemic.
31. For the 2021 budget, a carry-forward facility of 10 per cent of the unutilized 2020 budget is being proposed (higher than the normal 3 per cent carry forward) to allow for the successful completion of IFAD11, especially in response to programme threats in a post-COVID-19 landscape. The adverse impact of the pandemic on operations in 2020 results in a need for enhanced quality reviews, to mitigate the additional risk for IFAD's country operations.
32. IFAD is dedicated to results-based financing and to measuring the impact of its country programmes. As necessary impact assessment activities have been partially derailed due to the pandemic, corrective one-off measures are required in 2021.
33. One-time activities following the completion of the credit rating process include additional support for the funding unit in the Treasury Services Division, in preparation for IFAD12 borrowing programme. The support entails assisting in the setup of an annual funding strategy, the execution of private placements, investor relations, liability management operations and new issue marketing strategies.
34. The enhancement of mainstreaming themes and the completion of organizational reforms such as those called for by the McKinsey study add to the complexity of managing increased demands under the proposed zero-real-growth budget, for the third consecutive year. In 2020, the rapid turnaround in the design of the Rural

Poor Stimulus Facility (RPSF), for example, was made possible by a combination of repurposing low utilization budget lines and leveraging the flexibilities provided by an increased carry-forward allocation. The ongoing IFAD12 Consultation has highlighted the need to find the right balance between the ambition to take on additional commitments and their feasibility considering the additional costs entailed.

35. In addition to finalizing IFAD11, 2021 will be a key year in preparing for IFAD12, particularly with regard to the design of new projects. This means that activities in support of an adaptive, learning-centred approach will be accelerated to ensure IFAD is nimble enough to carry out course corrections quickly when significant risks arise, or when economic or other shocks emerge. Additionally, IFAD expects in 2021 to start laying the groundwork for more ambitious targets in development areas such as climate financing, biodiversity and cofinancing. A flexible and ample carry-forward facility is indispensable in ensuring such nimbleness and adaptability.
36. Further one-time activities required for increased engagement with the private sector following completion of the credit rating process, enhancement of mainstreaming themes and the completion of organizational reforms such as those called for by the McKinsey study add to the complexity of managing increased demands under the proposed zero-real-growth budget, for the third consecutive year. In accordance with standard practice, details of the allocation of all carry-forward funds will be provided to the Executive Board. This request has been included in the draft Governing Council resolution for the 2021 budget, which is provided in part five of this document.
37. It is acknowledged that this request is highly exceptional and a result of the unexpected COVID-19 pandemic. IFAD is committed to return to the previous carry-forward levels in 2022.

#### **D. 2019 carry-forward allocation**

38. The carry-forward rule, in place since 2004, states 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 approved annual budget of the previous year.
39. Historically, this rule has provided much-needed flexibility to ensure that resources match the level of mandated activities. For 2020 the Governing Council agreed that unobligated appropriations at the close of the financial year 2019 be carried forward into the 2020 financial year up to an amount not exceeding 5 per cent of the corresponding appropriations to support the delivery of certain corporate priorities. This clearly demonstrated the importance of increased flexibility: considering IFAD's ambition of doubling its impact by 2030, the imposition of a ceiling on the proposed carry-forward element could have hampered the organization's ability to respond quickly and effectively to new demands.
40. As the actual budget utilization for 2019 amounted to 95.2 per cent, the carry forward available was US\$7.65 million or 4.8 per cent of the total 2019 approved budget, less than the maximum of 5 per cent. As of 30 September 2020, approximately US\$4.6 million had been utilized (i.e. 61 per cent) out of the US\$7.51 million that had been allocated earlier in the year. Any unallocated and unused balance of the 2019 carry forward will revert back to IFAD's regular resource pool.
41. The 2019 carry forward provided additional room to fund activities in response to the unforeseen COVID-19 crisis, which has demonstrated that the need for greater carry-forward capacity is even more evident. A high level of departmental requests related to important and urgent deliverables that were not foreseeable at the time of budget preparation could therefore be accommodated. Important strategic

undertakings included the corporate adjustment to the COVID-19 situation (e.g. infrastructure upgrades, hybrid meeting rooms and health-related measures) as well as the adjustment of programme activities to the new circumstances and the scaling up of winning projects from the Innovation Challenge. This initiative was intended to generate and promote ideas among IFAD staff around fostering partnerships, eliminating bureaucracy, enhancing connectivity and leveraging innovative data analytics, for instance in the area of Global Information Systems data.

42. Approval of carry-forward amounts in excess of the usual 3 per cent has proved pivotal in helping Management address unforeseen strategic priorities during this exceptional year. In recent years the carry-forward facility has proved invaluable in the preparation of key deliverables that do not occur annually such as the flagship Rural Development Report every three years. It has been used to kick-start numerous new strategic initiatives such as the South-South and Triangular Cooperation facility and action on preventing sexual exploitation and abuse. In the midst of the crisis, IFAD consulted extensively with members of the planning, budgeting and performance management network, which has often, in prior replenishment periods, provided IFAD with the option of balancing activities around its PoW across years.
43. Key activities have been identified and are being implemented by the Human Resources Division (HRD) in regard to the performance management system, integrated talent management and absence management. In addition, HRD received funding to work on key outcomes of the 2019 Global Staff Survey. A table showing the use of the 2019 carry-forward resources and the prioritized activities financed by each department is provided in annex VIII.

### **III. Gender sensitivity of IFAD's loans and regular budget**

44. Pursuant to the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women, IFAD is continually seeking to improve its resource allocation to gender activities. The increase in the number and deployment of gender and social inclusion analysts and specialists is steering the organization in this direction.
45. The 2021 budget retains the methodology developed in 2013 to determine the gender sensitivity of loans while the methodology to capture gender-related elements of the regular staff budget was revised in 2020. The new budget planning system that was introduced in 2019 is designed to facilitate the mapping of staff and non-staff costs to all mainstreaming themes. This functionality can potentially be used in the coming years to allow for a more precise, system-based capturing of resource allocation by mainstreaming theme.
46. The outcome of this year's exercise is outlined in the following paragraphs.
 

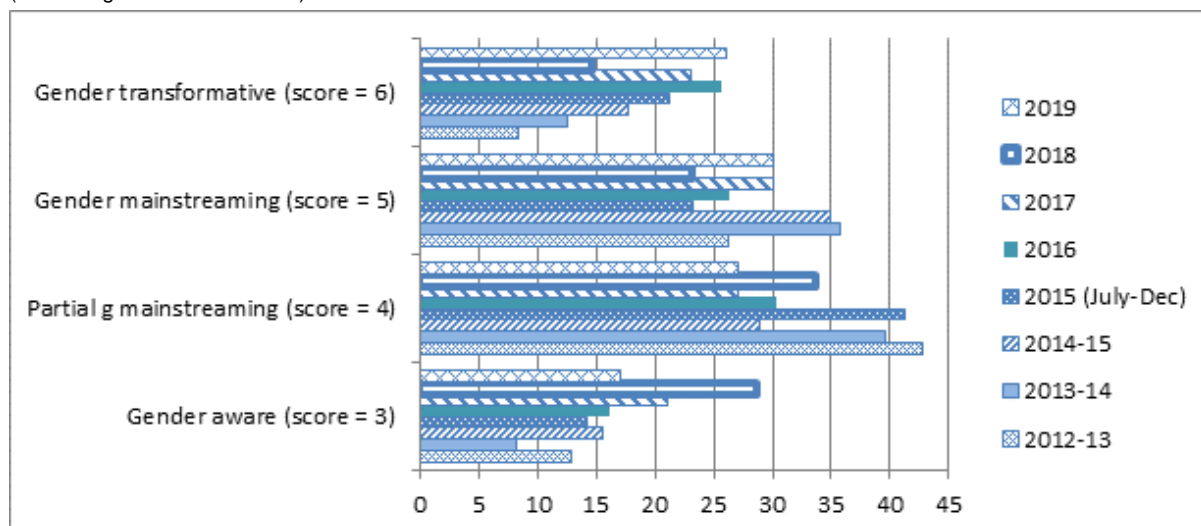
**Gender sensitivity of IFAD loans**
47. The gender sensitivity of IFAD's loan portfolio is measured at design stage in terms of value (figure 1). A gender sensitivity analysis was conducted on IFAD's 48 loans approved by the Executive Board in 2019, amounting to approximately US\$1.639 billion. Of these, 38 loans – valued at US\$1.396 billion – qualified for the analysis. The overall gender sensitivity outcome on loans analysed shows that 83 per cent of the loan value was rated moderately satisfactory and above, compared to 71.4 per cent in last year's analysis, 80 per cent in 2017, 82 per cent in 2016 and 86 per cent in 2015.
48. The proportion of total loan value that can be classified as gender transformative rose to 26 per cent (equivalent to US\$358.59 million), compared to 14.6 per cent last year and 23 per cent in 2017, returning to the same level as in 2016.

49. This positive trend can be attributed to: (i) institutionalization of the criteria for classifying projects as gender transformative at design, providing clear guidelines for IFAD staff and consultants involved; (ii) a new project design template that explicitly calls for a targeting and gender strategy; and (iii) the presence of a staff member from the Environment, Climate, Gender and Social Inclusion Division (ECG) in all project design teams.

Figure 1

**Distribution of total approved loan value by gender score**

(Percentage of total loan value)

**Capturing gender-related and supporting activities in the regular budget**

50. The first attempt to quantify the gender sensitivity of IFAD's regular budget was presented in the 2014 budget document. A more accurate method of capturing gender-related data with better attribution was integrated into the 2015 and 2016 budget preparation processes. This captured gender sensitivity in IFAD's regular budget more comprehensively, within the constraints of the systems that were available at that time. As part of IFAD's drive to improve its approach and data collection, for the 2021 budget, the Office of Strategic Budgeting (OSB) together with IFAD's gender specialists collected updated estimates for each job category in the organization to ensure that the data more accurately reflects the gender component of staff time.
51. IFAD revised its methodology for estimating the portion of the staff budget that is dedicated to gender. The estimated percentages of staff time spent on gender-related tasks were updated under a participatory approach. All divisions provided their estimates, which were then centrally aggregated and validated by the IFAD gender specialists. The overall result of this exercise results in 7 per cent across all IFAD. On a departmental basis, the highest gender mainstreaming rate is in SKD, at 11 per cent, primarily due to the key focus on gender within ECG. The second highest percentages are seen in PMD and CSSG, both at 8 per cent on average.

**IV. 2021 programme of work**

52. The IFAD PoLG planned for 2021 is US\$934 million (inclusive of remaining IFAD financing provided under the RPSF). IFAD will continue to make a concerted effort to supplement this core programme with approximately US\$50 million in IFAD-managed funds mobilized from other sources, such as the Adaptation for Smallholder Agriculture Programme (ASAP), the Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund), Global Environment Facility Least Developed Countries Fund, Global Agriculture and Food Security Program, European Commission and European Union, and the Green Climate Fund, in addition to bilateral supplementary and complementary grants, bringing the total



PoLG to US\$984 million. IFAD has already built up its pipeline for 2021 based on cross-departmental subregional hub plans and in-country consultations.

53. Management continues to focus on quality at entry and on improving the performance of projects under implementation with a view to achieving the IFAD11 targets, including in the four mainstreaming areas. This includes increased supervision and implementation support to problem projects, and in response to changes in practice (e.g. remote or partial supervision) during 2020 caused by the COVID-19 pandemic.

Table 3

**Actual and projected PoLG**

(Millions of United States dollars)

	<i>Actual<sup>a</sup></i>				<i>Forecast</i>	<i>Planned</i>
	2016	2017	2018	2019	2020	2021
IFAD loans (including loan component grants) and Debt Sustainability Framework grants	742	1 262	1 137	1 640	809	889
IFAD grants	48	51	52	58	30	35
RPSF (IFAD funding)	-	-	-	-	30	10
<b>Total IFAD PoLG</b>	<b>790</b>	<b>1 313</b>	<b>1 189</b>	<b>1 698</b>	<b>869</b>	<b>934</b>
Other funds under IFAD management <sup>b</sup>	84	83	132	34	12	50
<b>Total PoLG</b>	<b>874</b>	<b>1 396</b>	<b>1 321</b>	<b>1 732</b>	<b>881</b>	<b>984</b>
Cofinancing, international (net of IFAD-managed cofinancing) and domestic	460	800	1 080	3 479	1 588	1 321
<b>Total PoW</b>	<b>1 334</b>	<b>2 196</b>	<b>2 401</b>	<b>5 211</b>	<b>2 469</b>	<b>2 305</b>
<b>Portfolio under implementation</b>	<b>6 860</b>	<b>6 846</b>	<b>7 051</b>	<b>8 608</b>	<b>n.a.</b>	<b>n.a.</b>

<sup>a</sup> Source: Grants and Investment Projects System as at 26 October 2020. Current amounts reflect any increase (decrease) in financing during implementation, including additional domestic and international cofinancing.

<sup>b</sup> Other funds managed by IFAD, including ASAP, the Spanish Food Security Cofinancing Facility Trust Fund (Spanish Trust Fund), Global Environment Facility Least Developed Countries Fund, Global Agriculture and Food Security Program, European Commission and European Union, and the Green Climate Fund, in addition to bilateral supplementary and complementary grants.

54. Some 28 new projects and programmes and six additional financing proposals (one for scaling up and five to fill existing financing gaps) are being prepared for approval during 2021 (see annex I).
55. In 2020, IFAD has commenced work to enhance its operational tracking systems to better depict the actual contribution to the SDGs made by the active portfolio and the indicative distribution of the pipeline of investments, including by thematic focus and mainstreaming themes. The high-level distribution of the current portfolio by sector is as follows:

Table 4  
**High-level distribution of the current portfolio by sector**  
**IFAD current portfolio financing by sector as at 31 Dec 2019**

<i>Sector</i>	<i>Percentage</i>
Agriculture and natural resource management	33
Market and related infrastructure	18
Rural financial services	13
Other*	13
Small and micro enterprises	9
Policy and institutional support	8
Community-driven and human development	7
<b>Total</b>	<b>100</b>

Source: Annual report 2019.

\* Includes disaster mitigation, energy production, knowledge management, monitoring and evaluation (M&E) and other project management costs.

56. The estimated number of global/regional and country grants in 2021 is between 15 and 20, for a total of US\$35 million. The priority areas of IFAD's grant programme for IFAD11 remain aligned with the strategic guidance note for IFAD12, i.e.:
- (i) Production for food security, nutrition and income generation;
  - (ii) Climate change, resilience and environmental sustainability;
  - (iii) Gender equality and women's empowerment;
  - (iv) Opportunities for youth;
  - (v) Business opportunities and partnership with the private sector; and
  - (vi) Strategic priorities endorsed by Management.
57. Other grant proposals may be developed in connection with strategic corporate priorities such as systems-related aspects defined in the IFAD11 commitments (including, for example, M&E, information and communication technologies for development (ICT4D), corporate citizenship and transparency) or other emerging innovations that have the potential to contribute to IFAD operations.

## **V. 2021 net regular budget**

### **A. Introduction**

58. 2021 will be a time to continue working on sweeping reforms and improved budget management practices. These efforts form part of a strategic consolidation aimed at obtaining greater implementation flexibility and a reduced burden of administrative costs, without compromising on the due diligence required in an environment of budgetary austerity. Starting in 2021, IFAD will transition towards a leaner budget framework with enhanced administrative procedures for the allocation of carry forward and mid-year review resources. This will free up capacity, especially in the General Service staff category, for use in activities that add more value.
59. Moreover, 2021 is expected to be a year of further workforce adjustment as a result of a reassignment exercise and a strategic workforce plan, to determine staffing complements and departmental structures based on the results of the 2019 McKinsey human resources study and the second phase of the strategic workforce planning (SWP) exercise.
60. While there are a number of real cost drivers such as additional staffing to further reinforce IFAD's field presence and capacity in ICOs, they have been largely offset by a significant reduction in travel costs that came close to matching the staff cost increases, and reductions in other cost categories to achieve zero real growth and contain any inflationary adjustment in the 2021 budget.

## **B. Budget process**

### **Strategic prioritization**

61. During the IFAD11 period, the Fund initiated a transformational financial framework reform and began to implement a series of activities under the financial road map presented in February 2020. The Debt Sustainability Framework reform, the Capital Adequacy Policy, the Asset and Liability Management Framework and the new approach to IFAD's liquidity management are all new tools serving to preserve IFAD's commitment capacity and financial sustainability. As such, the mid-year review and carry-forward exercise for 2020 were conducted in line with the most pressing priority activities identified by Senior Management. In preparation for the 2021 budget cycle, IFAD Management revisited the corporate priorities in order to sharpen the focus of their strategic direction. As outlined in section I, the outcome of this effort are three consolidated priority areas that contribute to the overarching goal of doubling IFAD's impact by 2030:
  - (i) Strengthening the agility, capacity and adaptability of IFAD's field presence and proximity to its beneficiaries;
  - (ii) Diversifying and expanding IFAD's resource base; and
  - (iii) Fiscal responsibility through greater financial sustainability and enhanced ERM.
62. These priorities guided the budget submissions of all departments.
63. Identified priorities cover the key focus areas for transformational approaches needed, both internally and externally, in the way IFAD engages with stakeholders, consolidating organizational reforms and strengthening the transformation of the financial architecture. Highlights are as follows:
  - (i) Programmatic activities, especially in support of COVID-19 response and recovery, resilience building and protection of existing development progress;
  - (ii) Human resources enhancement, encompassing a reassignment exercise and the next phases of implementation of the McKinsey human resources study;
  - (iii) Enhancement of risk management functions;
  - (iv) Completion of IFAD's credit rating process, implementation of the Integrated Borrowing Framework and the adoption of key principles to support IFAD's financial sustainability; and
  - (v) Mainstreaming of gender, nutrition, youth, climate and environment.
64. The exercise also shed light on a number of instances where investments could be spread out over several years or savings could be achieved through efficiencies to increase the amount of resources invested in the priority areas. These include:
  - (i) Travel costs, especially in light of the uncertainties around the post-pandemic context for implementation;
  - (ii) Knowledge management and research;
  - (iii) Logistics with regards to the establishment or expansion of ICOs;
  - (iv) External engagement and active participation in non-strategic network events;
  - (v) Capacity and team building activities; and
  - (vi) Internal workshops and business meetings.
65. In reviewing individual proposals, OSB adopted a clearly defined holistic approach to identify commonalities among submissions and promote savings by reducing or eliminating activities duplicated across the house or already covered by other funding sources. Embedding strategic prioritization within the budget process is

enhancing intra- and interdepartmental cohesion for proposal submission, thereby ensuring that resource allocations focus on what is required to deliver on organizational strategic objectives and ultimately achieve greater impact.

### **Staff budget process**

66. The process for ensuring workforce alignment with corporate priorities in terms of numbers, competencies and skills was streamlined in 2019. The responsibility for addressing workforce matters has been redistributed among three key players, i.e. OSB, HRD and the Change Delivery and Innovation Unit.
67. The final outcome of the last phase of the holistic SWP exercise currently being conducted will not be available until 2021. In light of the challenges that this timing entails for the budget process, IFAD proposes a staffing structure for 2021 that builds on inputs from the latest transformational institutional changes as well as the projections from the human resources study and the second phase of the SWP (both were completed earlier in 2020). In that regard, 2021 is to be seen as a transitional year towards the right-sized workforce capacity to be fully implemented in 2024.
68. Taking into consideration the findings of the human resources study and the second phase of the SWP, an effort has been made to address some of the capacity gaps that have already been identified where the final outcome of the third phase of the SWP can be anticipated. The planned capacity increase is foreseen in key crucial areas supporting IFAD's new business model such as mainstreaming themes, Social, Environmental and Climate Assessment Procedures (SECAP), quality assurance, audit, legal affairs and risk management. The proposed 2021 staffing complement will be introduced in a balanced and gradual manner, as and when it is needed throughout the year, to ensure maximum and optimum use of resources.
69. Given the full completion of the SWP exercise in 2021 and administrative procedures to follow, it is further assumed that the budget impact from staff and consultant FTE reductions (e.g. in the administrative skill group) is likely to materialize in 2021 only in part.
70. As in previous years, the departments distributed their proposed staff costs using institutional output groups (IOGs) in order to indirectly map the contribution of each staff member to these groups and to the corporate results pillars.

### **Non-staff budget process**

71. Budget preparation guidelines for non-staff costs were provided and included budget parameters and overall non-staff cost envelopes for each department, based on the realigned 2020 budget. With a relatively new system in place and an enhanced focus on strategic prioritization of planned activities, OSB and the Information and Communications Technology Division (ICT) worked closely with departments as they planned for 2021, seeking to find the right balance between ambition for new commitments and the resource feasibility of their implementation, as well as identifying areas that would require less focus and investments, within the context of a zero-real-growth budget.
72. As indicated, submissions were prepared using the same IOGs as the previous year and no new IOGs were introduced for 2021. A list of the IOGs, together with an indicative budgetary breakdown, is provided in annex III.
73. Departments were instructed to use the Hyperion system to submit their requirements for incremental activities to be charged to complementary and supplementary funds management fees, for inclusion in the gross budget for 2021. The requests were analysed in collaboration with the Financial Controller's Division.
74. OSB reviewed all budget submissions in the context of corporate priorities and directions set by Management. As in previous years, a review of the time lines for completion of ongoing capital projects was undertaken, and the corresponding

recurrent costs and depreciation for 2021 were estimated on the basis of actual depreciation incurred up to August 2020. An in-depth analysis was conducted to review the general inflation and price adjustments applicable to specific cost items, in particular travel and consultancies.

75. Finally, the guidance, feedback and inputs provided by the Audit Committee and Executive Board during their deliberations on the high-level preview in September were taken into account in preparing the final budget. A systematic effort was made to analyse the root causes of the nominal increase presented in the high-level preview and realign assumptions based on accurate calculations of trends in actual expenditures.

## **C. Assumptions**

### **Exchange rate and inflation rate assumptions**

76. The result of the calculation of the foreign exchange rate, using the agreed foreign exchange rate calculation methodology,<sup>1</sup> was EUR 0.89:US\$1. The minor difference compared to the exchange rate used for 2020 and in the high-level preview (EUR 0.885:US\$1), would have had a negligible impact on the overall budget estimates. Therefore the rate of EUR 0.885:US\$1 was maintained for the 2021 budget. This demonstrates the robustness of the methodology adopted and facilitates comparison with prior year figures and performance.
77. The inflation adjustment for the 2021 budget is based on the agreed methodology, using specific inflation numbers for several line items and an indication of the world and Italian consumer price indexes for all other costs.
78. A detailed review was performed of the actual consultancy and travel costs incurred between 2019 and 2020 to determine the inflationary components of such drivers. Consultancies posted a minor increase in average contract value of approximately 1.4 per cent, resulting from higher average daily fees. This percentage has been used as an inflation adjustment for consultancy costs.
79. Regarding travel costs, the unique nature of 2020 in the face of the global COVID-19 pandemic, with extensive periods of disruption continuing to be experienced at the time of writing, has led to a substantially lower utilization of budgeted amounts. However, IFAD expects that travel unit costs will be increased by providers in 2021 in order to compensate for some of the losses incurred during 2020. An overall increase of 5 per cent is therefore being applied to travel unit costs. This percentage has been used as an inflation adjustment for the travel cost component while the overall travel expenditure category for 2021 has been reduced by 27.5 per cent across all departments.
80. A weighted average of 1.5 per cent was adopted for all other costs.

### **Staff cost assumptions**

81. Staff costs for the 2021 budget are based on the following assumptions:
- (i) Standard staff costs were developed separately for each grade level, based on an analysis of statistical data on the actual IFAD staff population. An analysis of standard staff costs was performed for General Service and Professional staff categories located at both headquarters and ICOs, by reviewing actual payroll costs – available in IFAD systems for headquarters and data from the United Nations Development Programme for field-based staff. The analysis factored in increased mobility among Professionals and related allowances, embedding potential raises in salary scales and/or salary components (pensionable remuneration) and including the effects of the normal within-grade step increment as well as the EUR/US\$ exchange rate.
  - (ii) The standard costs for 2021 incorporate the following:

<sup>1</sup> The average of the United Nations Operational Rates of Exchange for the period October 2019 to September 2020.

- (a) Pensionable remuneration for Professionals and above as normally applied by the International Civil Service Commission (slight increase);
  - (b) Average post adjustment variation including multipliers applicable to all locations where IFAD has staff (slight increase);
  - (c) Pensionable remuneration for Rome-based General Service staff as applied by the International Civil Service Commission (slight increase);
  - (d) Salary scales and exchange rate variation applicable to field-based General Service and National Professional staff (slight increase);
  - (e) Other allowances such as education grants, home, leave and repatriation (decrease); and
  - (f) Exchange rate of EUR 0.885:US\$1 for 2021 (no impact on standard costs).
- (iii) While there is no change in salary structure, the overall revision of standard salary costs constitutes a price decrease.

#### **D. Proposed staffing level**

82. As mentioned earlier, 2021 represents a transitional year following the mid-term trajectory of strengthening the field presence and replacing consultants with IFAD staff. Due to the ongoing structural reforms, IFAD is proposing to gradually introduce new staff only when needed during the course of the year, to optimize the use of resources. Looking ahead to the proposed 2021 staffing complement, IFAD is focusing on those areas where the SWP outcomes can already be anticipated, i.e. country specialists and the risk, audit, quality assurance and legal functions.
83. While the planned reduction in other areas, such as the administrative skills group, is not yet fully reflected in the 2021 SWP, IFAD is preparing for these changes by streamlining internal processes to make them more efficient. The holistic SWP exercise is expected to be fully completed only in 2021 and the applied methodology considers full-time equivalent (FTE) as staff and consultants. While a proposed reduction in FTE could be more easily implemented by a reduction of consultants, the budgetary impact of a reduction in staff is unlikely to be expected in 2021. In addition to the proposed reductions resulting from the SWP exercise, a non-voluntary separation programme is under way as part of the PPTP. This programme mainly addresses staff underperformance and will span 2020-2021 and possibly beyond. The programme encompasses: (i) underperforming staff members; (ii) staff members who are unable or unwilling to be reskilled under the comprehensive retraining plan; (iii) staff members who are nearing retirement age and express an interest in leaving earlier; and (iv) General Service staff members filling a position that could be transferred to a field location. An important deciding factor will be the potential elimination of positions by attrition.
84. The approved 2020 level of 659 FTEs was used as the baseline for 2021. This included 658 FTEs funded from the regular budget and 1.0 FTE performing core functions funded from other sources.
85. The proposed regular budget staffing level for 2021 is 708.5 FTEs, for a net increase of 50.5 FTEs. The increase is the net effect of 53 new staff positions (53 FTEs) proposed for 2021 and the exchange of 0.5 FTE for an existing position in RMO (0.5 FTE), less reductions amounting to 3 FTEs.
86. Of the total 708.5 FTEs funded by the regular budget, an estimated 257 positions will be based in the field in 2021, compared to 111 positions outposted in 2017 before the decentralization exercise began. This will bring the total number of outposted staff to 36 per cent of total IFAD staff (compared to 33 per cent last year). The new staffing structure brings IFAD closer to the IFAD12 Results

Management Framework target of 45 per cent, combining an enhanced field presence with a lean and efficient headquarters structure as a result of separations, reassignments and reorganization.

87. The 53 new staff positions across different departments can be summarized as follows:
- (i) Twenty-seven positions in PMD, mainly located in the field, including administrative positions providing cross-departmental support and country programme managers, required to complete the staffing of hubs and South-South and Triangular Cooperation decentralized offices as well as the operational results and compliance activities;
  - (ii) Eleven positions in SKD to boost IFAD's private sector strategy, mainstreaming activities and SECAP;
  - (iii) Four positions dedicated to ERM to RMO, three positions in the Office of the General Counsel (LEG) to support corporate matters and programme-related operations, two positions dedicated to the Office of Audit and Oversight and two positions in the Quality Assurance Group (QAG);
  - (iv) Two positions in the Global Engagement, Partnership and Resource Mobilization Division (GPR) to lead the Supplementary Funds and Private Sector Unit to strengthening IFAD's resource-mobilization efforts and staff the Japan Liaison Office; and
  - (v) Two positions in ICT to address the need for sustainability and resiliency of corporate IT infrastructure, especially in view of hybrid working modalities due to COVID-19 pandemic.
88. The total reduction of three positions as part of IFAD's drive for efficiencies impacts Professional staff in HRD as well as the SKD front office and (GPR – Rome-based). Two of the three positions have been proposed for rationalization to offset two of the proposed new positions in the same departments.
89. The number of positions chargeable to management fees and funded from the gross budget will be 16.25 FTEs in line with 2020 figures, of which 1.0 FTE is performing core functions (28 positions have already been absorbed into the regular budget over the last six years). It is proposed that this position continues to be funded from supplementary fund fees as it directly supports the related activities.

Table 5  
**Indicative staffing requirements, 2018-2021**  
 (Full-time equivalents)

Department	Approved					Total change 2020 (realigned) vs. 2021
	2018	2019 (realigned)	2020	2020 (realigned)	Proposed 2021	
Office of the President and Vice-President	12	14	15.5	15.5	14	(1.5)
Corporate Services Support Group	43	46	45	50	63	13
External Relations and Governance	82	85	83	83	84	1
Strategy and Knowledge Department	76	78	82	82	92	10
Programme Management Department	242.8	235	249	249	276	27
Financial Operations Department	68	74	77	72	72	-
Corporate Services Department	103.5	100.5	106.5	106.5	107.5	1
<b>Total staff funded by regular budget*</b>	<b>627.3</b>	<b>632.5</b>	<b>658</b>	<b>658</b>	<b>708.5</b>	<b>50.5</b>
Staff FTEs funded by other funding sources	1	1	1	1	1	-
<b>Total staff funded by regular and other sources</b>	<b>628.3</b>	<b>633.5</b>	<b>659</b>	<b>659</b>	<b>709.5</b>	<b>50.5</b>
Staff FTEs chargeable to management fees**	13.25	14.25	15.25	15.25	15.25	-

\* Figures include a reduction in P-5, P-3 and P-1 positions from CSD, ERG and SKD.

\*\* Staff with coterminous contracts funded from the gross budget.

90. Indicative 2021 staffing levels funded by the regular budget and by department and grade are set out above and in annexes IV and V. Departmental figures are gross of planned reductions. The cost implications of the staff budget exercise are set out in subsection E below. The funding and recruitment of new positions will be carefully planned and prioritized during 2021 in accordance with operational needs and based on the results of the SWP exercise once finalized.

## E. Cost drivers

91. The final real and price-driven cost drivers for the 2021 budget proposal are as follows:

(i) **Real cost drivers:**

**Staff costs**

- Additional staffing relates to: (i) strengthening of IFAD's field presence, proximity to beneficiaries and decentralization model, contributing to making IFAD a higher performing organization, improving and transforming programme delivery and increasing impact per dollar invested. This will result in less long-distance travels and increased country-level engagement and non-lending activities with governments and partners in the countries. The majority of new positions in the field are for the Eastern and Southern Africa and West Africa areas in line with the geographical distribution of performance-based allocation system resources, whereby 62 per cent of IFAD11 core resources is allocated to Africa; (ii) strengthening of the ERM function in tune with the more complex financial and development environment in which IFAD operates, forming the basis of a more comprehensive institutional financial structure and risk framework; (iii) continued focus on private sector engagement, in line with the new business model requiring very specialized technical expertise and the mainstreaming themes, including SECAP, reimbursable technical assistance and social inclusion; and



(iv) increased capacity in legal, compliance and control functions due to the new financial architecture and increased donor requirements. This will result in 53 additional positions.

- Staff cost reductions arise from the result of workforce realignment due to emerging corporate requirements. This will result in a reduction of 3 FTEs.
- The overall net impact is estimated at 50.5 FTEs for a US\$3.44 million real increase in staff costs. The relatively small increase compared to the number of FTEs is due to the fact that more than half of the new positions are local recruits based in the field.

#### **Depreciation and other recurrent expenses related to capital budgets**

- The net increase in depreciation in 2021 (net of fully depreciated capital budgets) will be approximately US\$200,000. With additional systems being activated as previously approved capital budget projects go live, maintenance, support and licensing costs will increase as indicated in the high-level preview.

#### **Non-staff costs from corporate and operational adjustments in the COVID-19 context**

- With the expected increase in travel unit costs in 2021, more missions will be held remotely and strict scrutiny will be applied to ensure value for money on mission travel. Programmatic activity can be expected to increase to catch up on deliverables that could not be completed in 2020. This increased activity will be absorbed into the regular budget in part.

#### **Other potential real increases**

- Other priorities and initiatives are also likely to result in increased real costs. These include differentiated financial products, RBL methodologies and engagements in the United Nations reform process. IFAD will continue to implement actions agreed in the road map for IFAD's financial strategy and consolidation of the existing ERMF, with particular attention to country and operational risk, financial risk and preparedness for activities aimed at expanding and diversifying IFAD's resource base. Management will be expected to resource these high-priority activities by offsetting the incremental costs with reductions in areas of the PoW where savings can be found.

92. The above real increases will be offset by a real reduction of US\$2.64 million in travel costs.

(i) **Price drivers:**

##### **Staff costs**

- Staff costs for the 2021 budget were based on revised assumptions compared to 2020. The overall net price-related adjustment in staff costs amounts to -US\$1.7 million, or 1.8 per cent below 2020 staff costs, primarily due to the revision of standard costs in line with updated parameters.

##### **Other costs**

- Based on the agreed methodology, using specific inflation numbers for several line items and a weighted average of the world and Italian consumer price index for all other costs will result in price increases.
- Inflation adjustments to consultancy costs have been reviewed by analysing data available in the relevant systems, particularly trends in

average consulting fees. Due to the exceptional situation caused by the COVID-19 pandemic, the 2021 price increase for travel could not be derived from historical data and represents an estimate.

93. The overall net price decrease in the budget is -US\$0.46 million, mainly driven by revised staff standard costs that more than offset price increases in consultancies, travel and other administrative costs.

## F. Net regular budget proposal

94. As noted above, feedback from the Audit Committee and Executive Board on the high-level preview has been taken into account in preparing the 2021 net regular budget proposal. The latest budget estimates are based on detailed submissions provided by the departments, which have been rigorously reviewed with relevant detailed costing analysis carried out.
95. The 2021 net regular budget is proposed at US\$159.4 million, representing a 0.96 per cent nominal increase compared to the 2020 budget of US\$157.9 million (as estimated in the high-level preview). In addition to containing the real increase at zero as announced, an effort was made to fully absorb price increases with additional reductions in non-staff costs. The baseline for comparison is the 2020 net regular budget, realigned to reflect the impact of organizational structural changes performed during 2020.
96. As indicated above, the zero real increase is the net effect of: (i) net real staff cost increases (US\$1,140,000); (ii) depreciation (US\$200,000); (iii) estimated rent, common services and running costs of ICOs (US\$600,000); (iv) increase in consultancy and other costs (US\$2,320,000) offset by a real decrease in travel (US\$2,640,000).

### Budget proposal by department

97. The budget proposal by department is set out in table 6.

Table 6

#### Regular budget by department, 2020 and 2021 (Millions of United States dollars)

<i>Department</i>	<i>Approved 2020</i>	<i>2020 (realigned)</i>	<i>Proposed 2021</i>	<i>Total change</i>	<i>Change (percentage)</i>
Office of the President and Vice-President	3.18	3.18	2.77	(0.41)	(12.9)
Corporate Services Support Group	8.77	9.08	10.73	1.65	18.2
External Relations and Governance Group	16.59	16.59	17.22	0.63	3.8
Strategy and Knowledge Department	15.81	15.81	15.82	0.01	-
Programme Management Department	62.91	62.91	60.52	(2.39)	(3.8)
Financial Operations Department	13.83	13.52	13.12	(0.40)	(3.0)
Corporate Services Department	26.77	26.77	28.53	1.76	6.6
Corporate cost centre (allocable)	5.09	5.09	5.75	0.66	13.0
Corporate cost centre (not allocable)	4.95	4.95	4.95	-	-
Planned reductions					
<b>Total</b>	<b>157.90</b>	<b>157.90</b>	<b>159.41</b>	<b>1.51</b>	<b>0.96</b>

98. The increase in the 2021 budget compared to 2020 in some departments is attributable primarily to decentralization and outposting of staff, enhancement of the risk function and the adaptation of ICT structures and facilities in light of the

COVID-19 crisis. These increases have been offset by a significant reduction in travel costs and other administrative efficiencies.

99. Specific reasons for the changes in 2021 departmental allocations compared to 2020 are as follows:
- (i) **OPV.** The decrease in the budget is mainly due to reductions in travel costs. Additional non-staff budget requirements have also been identified for services related to the Sanctions Committee.
  - (ii) **CSSG.** The CSSG budget reflects the increasing need to ground IFAD's activity in a stronger corporate governance framework. Risk, compliance, audit, ethics, quality assurance and legal counsel, are all key elements of the second line of defence. They provide safeguards for the organization's financial and programmatic work and ensure that it complies fully with international rules and regulations, guidelines and voluntary commitments reflecting all aspects of IFAD's role as an international development financial institution for its borrowing members. The net increase is due to additional positions in some of these areas, the transfer of existing risk management positions from FOD to the newly established RMO in CSSG, and an injection of non-staff costs to adequately support the work needed to address part of the backlog of quality assurance activities along project pipelines.
  - (iii) **ERG.** The increase of 3.8 per cent in the ERG budget is attributable to additional staff positions to coordinate IFAD's dialogue and resource mobilization with Member States and donors. The incumbents will advise on how to improve IFAD's global positioning and bridge 2021 corporate priorities with external interests.
  - (iv) **SKD.** Incremental positions have been absorbed within SKD's budget envelope by lowering consultancy and travel costs. Overall, SKD's budget remains relatively constant vis-à-vis 2020, although key activities such as mainstreaming themes, impact assessment and private sector have been adequately resourced.
  - (v) **PMD.** The decrease of 3.8 per cent is the result of departmental efforts to reduce travel costs, creating space to fund a significant increase in new positions in the field and reinforcing IFAD's operations and proximity to its beneficiaries. A shift of internal priorities, as well as the effect of lower standard costs, have also contributed to the overall decrease in the departmental budget compared to 2020. The reduction is also aligned with the exceptionally low PoLG in 2021 and a downsizing of the ambition to improve stakeholder feedback, M&E and some non-lending activities around IFAD12, considering that most of the consultations are now over.
  - (vi) **FOD.** An effort was again made to accommodate the core budget requirements and corporate priorities for 2021, while lowering travel and consultancy costs. Overall the 2021 budget of FOD decreases by 3.0 per cent, which is also, in addition to the above, due to the transfer of existing risk management positions to the new risk management office in CSSG.
  - (vii) **CSD.** The overall 2021 budget of CSD has seen an increase of 6.6 per cent, mainly driven by the department's involvement in the COVID-19 response. In addition to the positions created in this regard, an increase in non-staff costs is proposed to fully respond to the global pandemic and minimize its impact on operations. This reflects the need for sustainable IT operations and maintaining existing services while mitigating some of the major risks accumulated over the years due to chronic underinvestment, as well as adaptation of facilities to mitigate COVID-19 risks.

(viii) **Corporate cost centre.** Costs under this heading are split between those centrally managed institutional costs that are allocable, such as recruitment and assignment costs, IFAD Client Portal (ICP) recurrent costs and Microsoft licensing costs, and those that are centrally managed but not allocable, such as other depreciation and after-service medical costs.

- The non-allocable corporate costs remain stable; and
- The increase in allocable corporate costs is primarily due to expected increases in ICO rent and common services costs, higher recruitment and reassignment costs, and higher ICP-related costs, offset by a reduction in the voluntary separation budget.

### **Budget proposal by summary cost category**

100. The breakdown of the 2021 budget proposal across major cost categories is shown in table 7 below. A breakdown of cost categories by departments can be found in annex II. The overall final budget proposal is in line with the information contained in the high-level preview. The breakdown by cost categories differs slightly as a result of better cost estimates and cost reduction efforts. The exchange rate of EUR 0.885:US\$1 was used, as in the high-level preview.

Table 7

#### **Analysis of budget by summary cost category, 2020 and 2021**

(Millions of United States dollars)

<i>Cost category</i>	<i>Approved 2020</i>	<i>Proposed 2021</i>	<i>Total change</i>	<i>Change (percentage)</i>
Staff	94.32	95.46	1.14	1.2
Consultants	22.51	24.34	1.83	8.1
Duty travel ICT non-staff costs	9.60	6.96	(2.64)	(27.5)
Other costs	5.45	5.94	0.49	9.0
<b>Total</b>	<b>157.90</b>	<b>159.41</b>	<b>1.51</b>	<b>1.0</b>

101. Consultancy costs for 2021 have increased, from US\$22.51 million to US\$24.34 million. The overall increase is 8.1 per cent or around US\$1.83 million. The main reasons for the increase in consultancy costs is the need to measure the impact of COVID-19 and relevant mitigating measures to minimize its impact. Increasing demand in multiple areas and higher consultancy fees also contribute to the increase.
102. Duty travel shows a significant decrease of -27.5 per cent, due to the effects of the global pandemic and the uncertainty that remains around travel for 2021. A slight increase in the unit costs of travel tickets and daily subsistence allowances in certain locations where IFAD operations are located has been included in case travel does pick up next year. The costs have been reduced to the extent possible while considering the need for Management to ensure vital design and supervision.
103. Recurrent non-staff costs for ICT have risen above 2020 levels as a result of the need to enhance overall ICT infrastructure to respond to the adaptations required as a result of the pandemic.
104. The increase in other costs is attributable to the ongoing reassignment exercise and increased presence of staff in field operations. In addition, a slight increase in facilities management, due to the adaptations needed as a result of the COVID-19 crisis, as well as costs to increase IFAD's visibility and engagement with

stakeholders in light of the corporate priority to diversify resource mobilization have also contributed to the 2.7 per cent increase in this cost category.

### IFAD regular budget by results pillars

105. IFAD constantly strives to be on the cutting edge in its approach to corporate planning and budgeting, with the aim of effectively focusing resources on meeting its strategic objectives. The shift from clusters to pillars four years ago has improved the effectiveness of corporate planning and budgeting processes and allowed for an enhanced focus on results.
106. As four years have now passed since the introduction of IOGs, cumulative data is available to analyse trends and draw meaningful conclusions as to how shifting areas of focus could translate into changes in spending and allocation patterns. For this year's budget process, IOGs were again linked more closely to strategic priorities and their relative contributions weighted.
107. Table 8 below shows the 2021 budgets of departments and offices broken down by pillar.

Table 8

#### Indicative breakdown of regular budget by results pillar, 2021

(Millions of United States dollars)

<i>Department</i>	<i>Pillar 1</i>	<i>Pillar 2</i>	<i>Pillar 3</i>	<i>Pillar 4</i>	<i>Total</i>
	<i>Country programme delivery</i>	<i>Knowledge building, dissemination and policy engagement</i>	<i>Financial capacity and instruments</i>	<i>Institutional functions, services and governance</i>	
Office of the President and Vice-President	0.10	0.22	0.04	2.41	2.77
Corporate Services Support Group	2.55	0.23	1.77	6.17	10.73
External Relations and Governance	0.94	7.00	3.19	6.09	17.22
Strategy and Knowledge Department	7.30	7.03	0.65	0.83	15.82
Programme Management Department	54.40	3.25	1.38	1.49	60.52
Financial Operations Department	5.49	-	6.41	1.22	13.12
Corporate Services Department	4.16	1.89	3.09	19.38	28.53
Corporate cost centre:	2.55	-	0.20	7.95	10.70
Corporate cost centre costs (allocable)	2.55	-	-	3.20	5.75
Corporate cost centre costs (unallocable)	-	-	0.20	4.75	4.95
Subtotal	77.50	19.63	16.74	45.55	159.41
Percentage allocation	49	12	10	29	100
<b>Total</b>					<b>159.41</b>

108. The above table shows that 49 per cent of the total budget falls under pillar 1, while pillars 2, 3 and 4 account for 12 per cent, 10 per cent and 29 per cent respectively. The breakdown is different than in 2020, with pillar 1 showing a slight decrease of 2 per cent while pillar 4 has seen the same percentage increase. Compared to 2020, pillar 2 and pillar 3 had no change. This minor redistribution can be explained as the result of increased field presence but with positions that have a much lower standard cost than headquarters positions. The enhanced focus on risk management and strengthening of financial architecture, as well as relevant corporate support services such as legal services, are also seeing increased attention, which explains the variance in pillar 4 in 2021.

109. The breakdown of the budget for each pillar by IOG is shown in annex III, including a comparison to the 2020 and 2019 budgets. Interesting insights can be drawn from observing the trends in IOG distribution over the last three years. In line with Management's commitments in 2021 – to focus on strengthening the field presence and proximity to beneficiaries, diversifying and expanding IFAD's resource base and ensuring fiscal responsibility through greater financial sustainability and enhanced ERM – enabling and support activities to strengthen portfolio management, human resources and financial management, and global engagement and partnerships are among the activities posting an increase in allocated resources.

## G. Gross budget proposal

110. IFAD implements and manages a number of operations for third parties that are external but complementary to the PoLG. These operations are financed from supplementary funds. Engaging in these partnerships involves additional incremental costs for design, implementation, supervision and administration. These costs are usually funded from management fee income through the supplementary fund agreements.
111. The gross budget includes the net regular budget as well as resources required to administer and support incremental work related to supplementary funds. The work to carry out the core PoLG and related activities will continue to be funded by the net regular budget. Separating the gross and net budgets ensures that fluctuations in the workload related to supplementary funds do not affect the regular budget on a yearly basis. Only incremental costs to support supplementary fund-related activities for ASAP, the European Union, the Spanish Trust Fund and other bilateral supplementary funds are included in the gross budget.
112. For 2021, the cost of supporting supplementary-fund-related work is US\$4.7 million over and above the net regular budget of US\$159.4 million, unchanged from 2019 and 2020. This amount can be fully recovered from the annual allocable portion of the fee income generated by ASAP, the Spanish Trust Fund, the European Union and other bilateral contributions.
113. As a result, the gross budget proposed for 2021 amounts to US\$164.1 million compared with US\$162.6 million in 2020 and the same supplementary fund support costs of US\$4.7 million in the preview document. Approval is being sought only for the proposed net regular budget of US\$159.4 million. Table 9 provides a summary of the gross and net regular budget.

Table 9

### Indicative gross and net budget for 2021

(Millions of United States dollars)

<i>Cost category</i>	<i>Approved 2020</i>	<i>Proposed 2021</i>
Gross budget	162.6	164.1
Costs to support supplementary fund activities	(4.7)	(4.7)
<b>Net budget</b>	<b>157.9</b>	<b>159.4</b>

114. Management has updated IFAD's guidelines on cost recovery from supplementary funds. The new guidelines have already introduced greater harmonization with other IFIs and United Nations agencies while supporting IFAD's resource-mobilization goals and ensuring cost recovery in line with Governing Council resolutions. A dedicated working group was set up in 2020 to review and further streamline the allocation, monitoring and execution of supplementary funded activities. This work will continue in 2021.

## H. Efficiency ratios

115. Moving forward with an evolving business model, IFAD wishes to align its reporting of efficiency with other IFIs, and will therefore focus on efficiency ratio 3, which

measures the amount of portfolio managed per dollar of administrative expenditure. It is important to state that administrative expenditure does include a good proportion of programme costs, which are not administrative in nature, but is a broader term that refers to IFAD's total net budget. Due to the more stable nature of IFAD's total assets under management compared to the fluctuating PoLG and PoW, this measure is deemed the most meaningful to assess IFAD's efficiency over the long term. In addition, a larger and more decentralized workforce will enable IFAD to manage a larger active portfolio – but improving efficiency in light of additional demand without an accompanying budgetary increase could have an adverse effect on operations. To improve IFAD's alignment with other IFIs and for the comparability of efficiency ratios, a clear segregation of purely programmatic from purely administrative costs for budget purposes could be considered in the future.

116. As indicated in annex III, the largest investments are made in supervision and implementation support and in enabling and supporting country programmes. Both areas combined generally represent close to a third of IFAD's administrative expenditures and are linked to the existing total portfolio, not to new projects or commitments, or to the planned PoLG or PoW. Conversely, the design of new projects represents only 8 per cent of IFAD's budget. Efficiency ratios 1 and 2 with their stringent focus on PoLG and PoW are therefore misleading and do not provide a reliable picture of the IFAD's overall efficiency. As commitments represent only an initial part of the project lifecycle and a small part of the overall programme implementation, they do not show the whole picture.
117. The monetary value of the total active portfolio at the end of 2019 was US\$8.6 billion. The value of the portfolio in proportion to total costs is therefore estimated at US\$55 for every US\$1 of administrative expenditure. The amount of portfolio managed per dollar of administrative expenditure has followed a consistent upward trend from US\$43 during IFAD9 and US\$46 during IFAD10 periods. Rising efficiency levels also reflect an optimized use of liquidity in the programme, ensuring that resources do not sit idle but are put to work towards the Fund's objectives and goals.
118. In future years, the aim is to achieve a more client-responsive approach to PoLG planning and pipeline development, and to increase the elasticity of IFAD's administrative budget. Accordingly, Management is focusing on a target administrative efficiency ratio, calculated on a 36-month rolling basis as per the Results Management Framework, as a key parameter for the annual budget exercise. As IFAD seeks to address the human capital and technology capacities and capabilities needed for its future operating model, holding the efficiency ratio steady and further improving it will remain a strategic priority.
119. However, the goal of zero real growth and a flat budget trajectory in future years should be reassessed in the context of the size of the overall portfolio and the need to boost programme delivery, together with the evolving targets for efficiency. Additionally, ongoing discussions as part of the IFAD12 Consultation have already indicated the need to strike the right balance between the ambition for new commitments and how to resource them properly. This may mean that trade-offs or Management decisions around areas that should receive less focus and investments become inevitable.

Table 10  
**Efficiency ratios**  
(Millions of United States dollars)

	Actual 2016	Actual 2017	Actual 2018	IFAD10	Actual 2019	Projected 2020	Projected 2021	Projected IFAD11
<b>PoW</b>								
PoLG	790	1 313	1 189	3 292	1 698	869	934	3 501
Other IFAD-managed funds	84	83	132	299	34	12	50	96
<b>Subtotal</b>	<b>874</b>	<b>1 396</b>	<b>1 321</b>	<b>3 591</b>	<b>1 732</b>	<b>881</b>	<b>984</b>	<b>3 597</b>
Cofinancing <sup>a</sup>	460	800	1080	2 340	3 479	1 588	1 321	6 388
<b>Total PoW</b>	<b>1 334</b>	<b>2 196</b>	<b>2 401</b>	<b>5 931</b>	<b>5 211</b>	<b>2 469</b>	<b>2 305</b>	<b>9 985</b>
<b>Value of portfolio under implementation at end of period</b>	<b>6 860</b>	<b>6 846</b>	<b>7 051</b>	<b>-</b>	<b>8 608</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Total costs</b>								
Regular budget	141.8	145.3	146.95	434.05	150.57	142.74	159.41	452.09
Costs to support supplementary fund activities	5	6	5.1	16.1	4.7	4.7	4.7	14.1
<b>Total costs</b>	<b>146.8</b>	<b>151.3</b>	<b>152.05</b>	<b>450.15</b>	<b>155.27</b>	<b>147.44</b>	<b>164.11</b>	<b>466.19</b>
<b>Efficiency ratio 1: Total costs/PoLG including other IFAD-managed funds<sup>b</sup></b>	17%	11%	12%	13%	9%	17%	17%	13%
<b>Efficiency ratio 2: Total costs/PoW</b>	11%	7%	6%	8%	3%	6%	7%	5%
<b>Efficiency ratio 3: Portfolio/total costs</b>	47	45	46	-	55	n.a.	n.a.	n.a.

<sup>a</sup> Amounts shown as cofinancing with other IFAD-managed funds reflect a revised cofinancing ratio target of 1:1.2 of PoLG.

<sup>b</sup> Efficiency measure agreed as part of IFAD9.

## VI. Capital budget for 2021

### Regular 2021 capital budget request

120. The capital budget will be split into three categories, namely: (i) cyclical and business continuity, to cover capital expenditures that are cyclical or recurrent in nature and have an economic life of more than one year (e.g. normal yearly replacement of desktop and laptop computers and software licence upgrades, and replacement of vehicles in ICOs); (ii) 2021 strategic priorities and focus areas, comprising the three main focus areas for IFAD next year; and (iii) other cross-cutting non-priority investments, to fund major IT and other investment projects in line with available capacity for undertaking such projects.
121. Accordingly, the proposed capital budget is intended to support cyclical initiatives for continuity of operations, as well as initiatives relating to the three corporate priorities and focus areas of IFAD's work in 2021 in addition to other projects and investments, while contributing to improved efficiencies in operations and cross-cutting themes.
122. The capital budget envelope for 2021 amounts to US\$6.75 million, comprising US\$1.71 million to cover cyclical or business continuity capital expenditures, US\$2.63 million related to the 2021 corporate priorities and an additional investment of US\$2.41 million for other cross-cutting initiatives. Major areas for investment in 2021 include further digitizing and equipping headquarters and ICOs for virtual and hybrid working environments, ensuring continued high levels of engagement with Member States (headquarters conference and meeting rooms), partners and beneficiaries both at headquarters and in the countries. Opportunities for major system enhancements have been identified to continue the completion of IFAD's robust financial IT architecture, as well as leveraging institutional efficiency opportunities with targeted projects.



123. Of the total capital budget envelope, US\$4.34 million will be dedicated to:
- (i) Addressing the 2021 corporate priorities by investing in field data collection, online procurement, financial and risk management, private sector products and risk management (US\$2,631,000); and
  - (ii) Funding cyclical and other initiatives that are vital for IFAD's systems to function, or "keeping the lights on" (US\$1,713,000).
124. The remaining US\$2.41 million will cover the following expenditures:
- (i) Data analytics and accessibility enhancements (US\$1,156,000);
  - (ii) ICO enhancements, including vehicle replacement (US\$650,000);
  - (iii) The online procurement plan (US\$400,000); and
  - (iv) Legal knowledge management (US\$200,000).
125. The overall demand for capital budget projects is US\$9.6 million. A number of capital budget requests have been deferred pending further evaluation, in order to ensure that proposed projects take into consideration strategic priorities, ICT4D implementation capacity, future maintenance needs and the containment of recurrent costs, such as depreciation.
126. Based on the current accounting standards being applied by IFAD, depreciation is charged on a straight-line basis over the estimated useful economic life of four years for client hardware and six years for infrastructure hardware, up to a maximum of 10 years for software development. Accordingly, the incremental depreciation for capital expenditure projects based on the current schedule of completion is an estimated US\$200,000 in 2021.

Table 11  
**Capital budget request 2021**  
 (United States dollars)

Category	Proposed	
	US\$	Percentage
I. Cyclical and business continuity	1 713 000	25
II. 2021 strategic priorities and focus areas	2 631 000	39
III. Other cross-cutting non-priority investments	2 406 000	36
<b>Total</b>	<b>6 750 000</b>	

## VII. People, Processes and Technology Plan

127. A detailed update on the progress of the PPTP is provided in document AC 2020/159/R.4.
128. Based on a review of the workplan for 2021, Management is proposing the following:
- (i) Due to the savings of TCI funds during 2020, no carry forward or other administrative budget sources are to be used during 2021 for any PPTP related activities;
  - (ii) In light of feedback received from the Executive Board on the line item related to upgrading ICOs, this line item will be removed from the TCI budget and funded by administrative resources;
  - (iii) The full amount of TCI funds unused in 2020, currently estimated at US\$1.003 million, will be made available for use in 2021; and
  - (iv) A proposed drawdown of TCI funds of US\$4.165 million for 2021 with the remaining US\$2.315 million earmarked for potential future drawdowns. The detailed breakdown is set out in table 12 below.

Table 12

**2021 proposed targeted capacity investment drawdown**

(Thousands of United States dollars)

	2021/2022 originally planned			2021 revised plan				2022 drawdown
	TCI	Carry forward/ capital budget	Total	Unused 2020 TCI funds	2021 proposed TCI drawdown	2021 use of carry forward	2021 total	
People	<b>Strategic workforce planning</b>							
	Development of divisional SWP plans	-	-	-	-	-	-	-
	Targeted upskilling/reskilling	665	-	665	245	355	-	600
	Staff separation programme	2 000	1 000	3 000	-	1 500	-	1 500
	<b>Employee value proposition</b>							
	Job audit	-	-	-	-	-	-	-
	Review of existing human resources arrangements to enhance employee value proposition	-	-	-	-	-	-	-
	<b>Performance management</b>							
	Support for performance management redesign	-	-	-	-	-	-	-
	Dedicated management training and support for supervisors	100	-	100	25	100	-	125
Processes	<b>Business process re-engineering</b>							
	Implementation of 18 quick wins	-	-	-	-	-	-	-
	Implementation of additional 25 recommendations	-	-	-	-	-	-	-
	Enhancing business process maturity	-	-	-	-	-	-	-
	Implementation of remaining recommendations	1 000	-	1 000	200	150	-	350
	Analysis of new business processes	-	-	-	-	-	-	-
	Implementation of selected recommendations	1 150	-	1 150	233	800	-	1 033
<b>Enterprise Risk Management Framework</b>								
ERMF integration	300	-	300	300	160	-	460	
Technology	Implementation of talent management platform	165	35	200	-	200	-	200
	Implementation of business process re-engineering technology changes and solutions	100	140	240	-	240	-	240
	Analysis and piloting of automation use cases (transactional)	-	-	-	-	-	-	-
	Analysis and piloting of automation use cases (strategic and data-driven)	500	160	660	-	660	-	660
	Investment in ICO upgrade (enabler)*	500	300	800	-	-	-	-
<b>Totals</b>	<b>6 480</b>	<b>1 635</b>	<b>8 115</b>	<b>1 003</b>	<b>4 165</b>	<b>-</b>	<b>5 168</b>	<b>2 315</b>

## Part two – Results-based Work Programme and Budget for 2021, and Indicative Plan for 2022-2023, of the Independent Office of Evaluation of IFAD

### I. Introduction

129. **A year of change.** The external peer review of IFAD's evaluation function undertaken in 2018-19 (EB 2018/124/R.8) provided recommendations to further improve the processes and product range of the Independent Office of Evaluation of IFAD (IOE). IOE committed to revising its product range to include new products such as thematic evaluations (TEs), to be reflected in the IOE work programme and budget for 2020. This was the first transitional work programme towards implementing the recommendations of the peer review. During 2021, IOE's actions to implement the recommended changes will become fully effective. Thus, 2021 will be a year of change, positioning IOE more strategically to meet the accountability and learning needs of the governing bodies and IFAD Management in the context of progress towards achieving the targets set under SDGs, especially those relating to SDG 2. Similar to the work programme and budget for 2020, this work programme and budget is also transitional in nature. It will be followed by IOE undertaking a multi-year evaluation strategy<sup>2</sup> for the medium term that will firmly anchor its contribution towards IFAD's development effectiveness in the context of the sustainable development agenda.
130. **Developing the work programme and budget.** This document was informed by extensive consultations carried out by IOE with IFAD's governing bodies and Management and IOE staff. In addition, it was enriched by the external peer review of IFAD's evaluation function and the subsequently agreed IOE joint action plan with IFAD Management presented to the Evaluation Committee at its 108<sup>th</sup> session.<sup>3</sup>
131. This document illustrates the priorities for IOE in 2021 and beyond, and how they are linked with its work programme and resource requirements. In addition, the document provides an update on the progress made in 2020, budget utilization up to September 2020 and projected 2020 year-end budget utilization. It also provides figures on actual expenditures for 2019. In line with the IFAD Evaluation Policy,<sup>4</sup> the IOE budget is developed independently of IFAD's administrative budget. The proposed budget is based on the same budgeting principles and parameters (e.g. exchange rate, standard costs for staff positions) used by IFAD Management in preparing its own administrative budget for 2021.

### II. Progress of activities in 2020

#### A. Carrying out evaluations in the context of COVID-19

132. The outbreak of COVID-19 has affected the implementation of the IOE's work programme. IOE presented an oral update to the Evaluation Committee at its 109<sup>th</sup> session on plans to adapt individual evaluations. For instance, adjustments have been made to standard approaches to data collection, analysis and stakeholder consultations, and new practices are being adopted. IOE is collecting data through document reviews, remote stakeholder consultations by telephone, Zoom and Skype, and is performing further analysis using project M&E data. In addition, IOE is using local consultants for short, targeted missions where conditions allow. IOE has also used geographic information systems (GIS), in cooperation with the Environment, Climate, Gender and Social Inclusion Division to identify the

<sup>2</sup> IOE envisages that a medium-term strategy could cover a period of 3-5 years.

<sup>3</sup> <https://webapps.ifad.org/members/ec/108/docs/EC-2020-108-W-P-5.pdf>.

<sup>4</sup> See IFAD Evaluation Policy (<https://webapps.ifad.org/members/eb/102/docs/EB-2011-102-R-7-Rev-3.pdf>). A new evaluation policy was presented to 111<sup>th</sup> session of the Evaluation Committee in October 2020.

inventory of projects that have geo-referenced their intervention sites. Overall, IOE has identified a number of principles that it is committed to following, as outlined below:

- (i) Respect the health safety priorities and guidance provided by the World Health Organization, IFAD and the concerned countries, and abide by the international and local travel restrictions applicable to the programme countries.
- (ii) Respect the health and well-being, ethical principles and cultural values of the evaluation stakeholders and IOE staff when conducting evaluations.
- (iii) Minimize international travel. Carry out evaluation events and data collection remotely (including by virtual meetings), to the extent possible. Optimize the use of existing documents, databases and other secondary data.
- (iv) Pursue technologies amenable to remote data collection and validation to the extent feasible, such as analysis of geospatial data for geo-referenced interventions when relevant.
- (v) If considered safe and allowed by national rules, have national consultants conduct selected field visits to triangulate findings from other sources. National consultants will be required to abide by all local travel restrictions and health guidance.
- (vi) Collaborate with other evaluation offices, networks and professional organizations to foster exchange of experiences and practices. Draw lessons from this collective wisdom on good practices, risks and pitfalls to promote efficiency gains during the crisis. Use this crisis experience as an opportunity to reflect on and inform future evaluation practices.

## B. Progress of select evaluation activities in 2020

133. The progress made on selected evaluation activities is outlined below:

- **Finalization of the corporate-level evaluation (CLE) on IFAD's support to innovation and productivity growth for inclusive and sustainable smallholder agriculture.** The evaluation findings and recommendations were presented to the Evaluation Committee at its 110<sup>th</sup> session and the Executive Board at its 130<sup>th</sup> session held in September 2020. An internal learning event for IFAD staff and the other United Nations Rome-based agencies (RBAs) was held in late September 2020.
- **Thematic evaluation on IFAD's contribution to smallholder adaptation to climate change.** The approach paper<sup>5</sup> for the TE was presented to the Evaluation Committee at its 108<sup>th</sup> session held in April 2020. The evaluation is now in progress, with case studies being prepared and stakeholder consultations and interviews having begun. Field visits will be undertaken by national consultants if allowed by United Nations and local authorities.
- **Evaluation synthesis on rural infrastructure.** IOE has finalized the approach paper. Data collection and analysis have been undertaken and the report is being drafted. In consideration of the COVID-19 restrictions, the selected field visits planned to complement desk-based evidence were not undertaken.
- **Joint CLE with the evaluation offices of the World Food Programme (WFP) and the Food and Agriculture Organization of the United Nations (FAO) on collaboration among the RBAs.** The CLE terms of reference were drafted jointly by the evaluation offices of all three RBAs and were presented to the Evaluation Committee at its 110<sup>th</sup> session in

<sup>5</sup> See <https://webapps.ifad.org/members/ec/108/docs/EC-2020-108-W-P-4.pdf>.

September 2020. Following an inception phase, data collection and analysis are expected to start in the second half of 2020. The evaluation will be completed in 2021.

- **Country strategy and programme evaluations (CSPEs).** National round-table workshops for Ecuador, Madagascar and Sudan were completed, of which those for Madagascar and Sudan were undertaken remotely. The CSPE for Sierra Leone was presented to the Evaluation Committee at its 108<sup>th</sup> session held in April, and those for Ecuador and Nepal were presented to the Committee at its 109<sup>th</sup> session held in June. IOE is undertaking desk work and stakeholder consultations for the ongoing CSPEs in Burundi, Morocco, Niger, Pakistan and Uganda. IOE is constantly monitoring travel restrictions in the countries and has undertaken short and targeted missions through national consultants where the situation permitted.<sup>6</sup>
  - **Project performance evaluations (PPEs).** PPEs are progressing as planned. However, no international missions are foreseen for most of the PPEs. Instead, IOE will triangulate desk reviews through remote interviews with stakeholders, field visits by national consultants (national regulations permitting) and use of other sources of data such as GIS where applicable. In 2020, IOE is undertaking PPEs in Bangladesh, Dominican Republic, Indonesia, Senegal, Tajikistan and Uganda. In Bangladesh IOE has used data from GIS to triangulate information on the effectiveness of infrastructure construction.
  - **Impact evaluations (IEs).** The IE of the Ethiopia Community-based Integrated Natural Resources Management Project, begun in 2019, will be completed in the second half of 2020. As to the new IE planned to commence in 2020, IOE proposes not to undertake it. Travel restrictions remain in place in most countries. While IOE has considered alternative options for IE, it has concluded that, in the absence of field visits and field interviews, it would be very challenging to design a credible sampling strategy and undertake quality control to a satisfactory level. In addition, undertaking extensive field interviews would generate health risks for beneficiaries, stakeholders and IOE staff. Instead, IOE will advance part of the activities related to the joint CLE on RBA collaboration from 2021 to the second part of 2020.
134. **Follow-up on the external peer review.** Activities in this domain pertain to: (i) preparation of a draft revised evaluation policy, in consultation with Management; (ii) provision of input to the discussion on the updated terms of reference of the Evaluation Committee; and (iii) preparation of a note on the IOE product range. To this end, IOE has worked in consultation with IFAD Management and the governing bodies. Related outputs were presented to the Evaluation Committee at its 111<sup>th</sup> session in October 2020.
135. IOE has published and disseminated to internal and external audiences: eleven evaluation reports, five Profiles, five Insights, two press releases, one media alert, three overviews, one learning brief, five infographics, two quarterly newsletters and three podcasts. IOE also organized two in-house learning events on the evidence-based results framework of the International Rescue Committee and on a tool for managing gender-sensitive evaluations during the COVID-19 pandemic, which was delivered by the evaluation office of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). IOE published two blog posts on the evaluation of community-driven development and value chain approaches. It published an article in the June issue of UN Women's *Transform* magazine; and an article in the first quarter 2020 issue of *Evaluation Matters*, an electronic magazine of the African Development Bank. IOE participated in several external events, mostly remotely, namely the Evaluation Cooperation Group spring meeting; the gLOCAL event, organized jointly by IFAD, FAO and WFP evaluation

<sup>6</sup> The missions are conducted by national consultants, under the close supervision of the IOE lead evaluator.

offices; the Annual Bank Conference on Development Economics hosted by the World Bank and the University of Arizona; a conference of the Evaluation Community of India; a meeting of the Global Evaluation Initiative, led by the Independent Evaluation Group of the World Bank; the Independent Evaluation Office of the United Nations Development Programme; and the 2020 Asian Evaluation Week.

136. IOE has also developed and launched an app called IFAD Leaf for smartphones and tablets. IFAD Leaf is a compact reference hub holding all of IOE's reports in a format optimized for mobile use and contains customized filters to search through IOE evaluations quickly and accurately.
137. **Cooperation with other evaluation offices.** IOE is engaging with other United Nations evaluation offices through the United Nations Evaluation Group (UNEG) on exchanging information and drawing evaluative evidence on development interventions that support smallholder farmers and small producers during the time of crisis. The Evaluation Cooperation Group of the multilateral development banks, of which IOE is a member, also organized a virtual seminar in April 2020 on collecting evidence for evaluations during COVID-19.
138. IOE has been invited to collaborate in a joint rapid synthesis exercise, with the evaluation offices of the RBAs and the United Nations Industrial Development Organization, on identifying evidence on the kind of interventions that have been effective in protecting rural livelihoods and food security in times of crisis. This exercise will cover not only the operations of the RBAs and other United Nations organizations but also a number of other development partners and organizations.
139. IOE has been invited to cooperate in the Global Evaluation Initiative led by the evaluation offices of the World Bank and United Nations Development Programme. The initiative is expected to strengthen demand as well as institutional and technical capacity for evaluation in developing countries, and will be implemented in collaboration with IFIs and United Nations agencies. It will provide IOE with an opportunity to share its evaluative knowledge as well as draw on other practices.

### **C. 2020 budget utilization**

140. Table 1 reports on IOE budget utilization in 2019 and 2020 up to September 2020, and the projected rate at year-end. Budget utilization in 2020 will be affected by a decrease in travel costs as a result of COVID-19 travel restrictions and some staff vacancies that have arisen during 2020, including that of the Director, IOE.

Table 1  
**IOE budget utilization in 2019 and projected utilization in 2020 (as of September 2020)**

<i>Evaluation work</i>	<i>Approved budget 2019</i>	<i>Budget utilization 2019</i>	<i>Approved budget 2020</i>	<i>Commitment as of September 2020</i>	<i>Expected utilization as of year-end 2020</i>
<b>Non-staff costs</b>					
Travel costs	840 000	684 704	820 000	158 303	200 000
Consultant fees	1 400 000	1 517 371	1 390 000	1 610 206	1 700 000
Evaluation outreach, staff training and other costs	270 390	287 742	270 390	322 033	350 000
<b>Subtotal</b>	<b>2 510 390</b>	<b>2 489 817</b>	<b>2 480 390</b>	<b>2 090 542</b>	<b>2 250 000</b>
<b>Staff costs</b>	<b>3 473 221</b>	<b>2 542 136<sup>7</sup></b>	<b>3 388 338</b>	<b>2 801 434<sup>8</sup></b>	<b>3 050 000</b>
<b>Total</b>	<b>5 983 611</b>	<b>5 031 953</b>	<b>5 868 728</b>	<b>4 891 976</b>	<b>5 300 000</b>
<b>Utilization (percentage)</b>		<b>84.10<sup>9</sup></b>		<b>83.3</b>	<b>90.3</b>
<b>External peer review</b> (2019 portion of total cost)	<b>200 000</b>	<b>115 392</b>	-	-	-
<b>Recruitment of IOE Director</b>			<b>137 000</b>	<b>0<sup>10</sup></b>	<b>100 000<sup>11</sup></b>
<b>Evaluation Policy</b>			<b>50 000</b>	<b>50 000</b>	<b>50 000</b>
<b>Total budget</b>	<b>6 183 611</b>	<b>5 147 345</b>	<b>6 055 728</b>	<b>4 941 976</b>	<b>5 450 000</b>

### III. IOE strategic goals

141. As a part of the follow-up to the external peer review, IOE has revised its divisional goals for 2021 to better reflect the wide variety of activities that it undertakes. The goals place increased emphasis on IOE's role in promoting a learning and results culture within and outside IFAD and contribution to evaluation debate at the global level and at regional and country levels. This is in line with the external peer review's recommendation that IOE play a more strategic role within and outside IFAD. The goals are:

- (i) Ensure credible and independent evidence to promote accountability and improve IFAD's performance at corporate, regional, country and project level;
- (ii) Contribute to enhanced evaluation dialogue within IFAD and at the global, regional and country level; and
- (iii) Strengthen a culture of results and learning from evaluations within IFAD.

142. IOE will reflect further on its strategic goals as part of the process of drafting a multi-year strategy planned for 2021.

### IV. 2021 work programme

143. The external peer review also recommended that the IOE work programme and budget document's structure and reporting be simplified. This document for 2021 has therefore been simplified and made more concise.

<sup>7</sup> IOE had several staff vacancies throughout the year, which were filled on an ongoing basis. As per IFAD standard practice, staff costs are budgeted based on standard costs provided by OSB. Actual utilization may be lower than standard costs.

<sup>8</sup> OSB commits funds only against those positions that are filled or have a person charged against them. As of the time of drafting this document, IOE had a D-2, a P-3 and two P-2 positions vacant.

<sup>9</sup> The utilization rate for staff costs was 73 per cent while that for non-staff costs was 99.18 per cent. Staff costs are budgeted at the standard rates determined by OSB. Actual utilization depends on the EUR/US\$ exchange rate, the contractual terms of incumbent staff and any vacancies that may occur. The actual utilization figures for staff costs were made available by OSB in February 2020. The utilization rate reported here is therefore different from the utilization rate reported in the work programme and budget document for 2020 submitted to the Governing Council at its forty-third session.

<sup>10</sup> IOE has reached an agreement with HRD whereby the actual expenditure for recruiting the IOE Director will be transferred in its entirety to the HRD at the end of the process.

<sup>11</sup> As candidates may not be able to travel to Rome in light of COVID-19, a smaller amount is expected to be spent on the process. However, actual utilization will only be known at the end of the process.

## A. Proposed work programme for 2021

144. As recommended by the external peer review, IOE will prepare, in consultation with the Evaluation Committee, the Executive Board and IFAD Management, a multi-year evaluation strategy to be presented to the Evaluation Committee in 2021. It will orient the selection of evaluations for 2022 and beyond (the list of evaluations for 2022 onwards in annex XII of this document is tentative).
145. Based on the findings and recommendations of the peer review, on its own internal review and feedback received from the governing bodies and Management, priorities for evaluations in 2021 and beyond will include:
- (i) Undertaking evaluation topics that represent major challenges for rural development and reflect key structural changes and reforms at IFAD. IFAD has undertaken significant changes and reforms in, inter alia, the institutional structure (including the decentralization process) and financial architecture in the past years and is expected to continue undertaking reforms in the medium term. IOE will carry out evaluations on topics that pertain to these reforms and changes in IFAD and are of significance for the achievement of rural transformation and the SDGs;
  - (ii) Piloting new evaluation products. The external peer review had recommended that IOE consider introducing newer products to meet accountability and learning needs beyond country and project level. IOE will enhance the methodological rigour of its existing products and also introduce newer products to meet the evolving evaluation needs of IFAD and its stakeholders;
  - (iii) Responding to accountability and learning needs from governing bodies and Management at the strategic and project levels. IOE will consult on an ongoing basis with IFAD's governing bodies and Management to undertake evaluations that feed into thematic, organizational and geographic areas of priority;
  - (iv) Consolidating findings on IFAD's portfolio performance and results. IOE will make efforts to systematically summarize findings across evaluations to provide an overarching view of organizational performance or performance in a given thematic area of interest;
  - (v) Contributing to enhancement of the quality of self-evaluation. IOE will provide feedback to enhance IFAD's corporate and project-level self-evaluation function through its products and by providing inputs for organizational policies and processes based on lessons from past evaluations.
146. In terms of topics representing major global rural development challenges, in 2021, IOE plans to complete the TE on IFAD's contribution to smallholder adaptation to climate change. This TE will: (i) assess IFAD's performance and results in supporting smallholder farmers' climate adaptation efforts (summative component); and (ii) identify key lessons and make recommendations concerning ways in which IFAD can enhance its approach and improve its performance in this area (formative component).
147. In terms of informing structural changes and reforms, in 2021, IOE will begin a CLE of IFAD's decentralization reform, to be completed in 2022. This will be a follow-up to the CLE on the same topic completed in 2016 and will cover the changes that have taken place in the past five years, in terms of both organizational changes, and impact on engagement with partner countries and support to operational and strategic work (including non-lending activities) and their results.
148. Organizational changes also involve corporate partnerships with other agencies. In 2021, the joint CLE with the evaluation offices of WFP and FAO and IFAD on collaboration among RBAs, started in 2020, will be completed.



149. In terms of piloting new evaluation products, in 2021 IOE proposes to undertake a subregional evaluation (SRE) of small countries with situations of fragility in West Africa. SREs are meant to assess IFAD strategy, approaches and organizational set-up in countries sharing salient characteristics and generate recommendations and lessons for IFAD operations in that subregion. They are expected to have a strategic or thematic focus and cover organizational aspects. The list of countries to be included in this evaluation will be decided at the start of the evaluation, in consultation with the regional division. PMD has expressed interest in this evaluation, in light of the high prevalence of countries with fragile situations in West and Central Africa and hence the relevance of this theme for the department and IFAD as a whole.<sup>12</sup>
150. A project cluster evaluation (PCE) on rural enterprise development projects is proposed in 2021. This evaluation will cover IFAD projects working on the development of on and off-farm enterprises and may cover projects that share similar characteristics such as geographic region, similar stage of implementation and linkages to value chains. The choice of the topic reflects the priority accorded by IFAD to rural transformation in its Strategic Framework 2016-2025 under strategic objective 2. PCEs can cover ongoing projects and generate findings and lessons that are of wider relevance than individual project evaluations.
151. As to responding to learning needs, IOE will work on CSPEs, which inform country strategies. In 2021, IOE will conclude the CSPEs in Pakistan and Burundi started in 2020. Five new CSPEs are planned, for Bolivia (Plurinational State of), Eswatini, Indonesia, Malawi and Uzbekistan.<sup>13</sup> No CSPEs are foreseen in the West and Central Africa region in 2021, given that an SRE will be conducted there. In the future, IOE may undertake more than one CSPE in a regional division in a given year depending on new country strategic opportunities programmes (COSOPs) and demand from PMD regional divisions. CSPEs will be structured more strategically, with a new format and more selective application of evaluation criteria.
152. IOE will undertake a new evaluation synthesis report (ESR) on government performance in IFAD projects. This topic has been chosen in light of the findings in the Annual Report on the Results and Impact of IFAD Operations (ARRI) 2020, which show a decline in the ratings for government performance in IFAD projects. This is particularly important as the ARRI finds a correlation between government performance, effectiveness and overall project achievement.
153. At the project level, IOE will continue to undertake PPEs, albeit in lesser numbers than in previous years. This is part of the rebalancing between project-level and more strategic evaluations, as recommended by the 2019 external peer review. IOE proposes to undertake four PPEs in 2021, which will be finalized towards the end of the year. This reduction also takes into account the surge in work needed on the evaluation manual, evaluation strategy and introduction of new products.
154. As to consolidation of findings on IFAD's portfolio performance and results, IOE will undertake the nineteenth edition of the ARRI in 2021. In the future, the ARRI may contain standard chapters (e.g. on the project portfolio performance and non-lending activities), as well as chapters that vary year by year and contain new analysis or synthesis of findings of more strategic evaluations. This will help better respond to organizational learning needs and provide more actionable evaluative lessons. Further reflection on the ARRI content, structure and methodology will be part of the revision of the evaluation manual.
155. Finally, in its support to enhance the quality of self-evaluation, IOE will undertake project completion report validations (PCRVs) on an ongoing basis. PCRVs are expected to become shorter, with a focus on criteria with disconnect between

<sup>12</sup> The IFAD Strategy for Engagement in Countries with Fragile Situations was approved in 2016.

<sup>13</sup> In the case of Bolivia (Plurinational State of), only an approach paper is expected for 2021.

PMD's self-rating and IOE's rating. In the future, PCRVs may also be integrated with the Operational Results Management System to ensure that the results of IFAD's self-evaluations and independent evaluations are reported in an integrated manner. IOE will also interact with PMD on the revision of self-evaluation products and will be available for consultations on methodology.

156. The revision of the product range, with the introduction of new products and newer approaches adopted for existing evaluation products, requires IOE to draft a new evaluation methodology. IOE plans to start the drafting of a new evaluation manual in 2021. The methodology will account for the changes to existing products and introduction of new products. The endeavour will include consultations with the governing bodies, IFAD Management and international evaluation networks.
157. In the process of revising its methodology, products and processes, IOE will incorporate the lessons it has learned in the course of conducting evaluations in the context of COVID-19. For example, IOE has used GIS systematically in projects where geotagging exists, and remote interviews using mobile phones and online surveys. Similarly, IOE has undertaken remote stakeholder consultations during and after evaluations. These methods and processes have associated benefits and risks. Benefits include diversified sources of data and more numerous avenues for triangulation. Risks include biases in data collection and validation, among others. A systematic analysis of benefits and risks will inform IOE's preparation of the evaluation manual.
158. The proposed list of IOE evaluation activities for 2021 is shown in annex XII and the indicative plan for 2022-2023 is presented in annex XIII.

## **V. 2021 resource envelope**

### **A. Staff resources**

159. IOE undertook a SWP exercise to assess the nature of skills and staffing level that it will require in the future. In light of the external peer review recommendations, IOE is expected to place increased emphasis on higher-plane and theme-focused evaluations in place of project-level evaluations. IOE concludes that it has the necessary staffing level to meet the accountability and learning needs of IFAD's governing bodies and Management in the foreseeable future. However, the staffing matrix will require changes to meet the anticipated demand for higher-plane evaluations. To that end, IOE proposes the upgrading of an existing P-2 position to P-3. No increase in staff budget is envisaged in 2021 as a result of such upgrade and IOE will absorb the incremental costs, if any, into its proposed budget envelope.

Table 2  
Staffing in 2020 and proposed staffing in 2021

Category	2020	2021 (proposed)
<b>Professional staff</b>		
Director	1	1
Deputy Director	1	1
Lead evaluation officers	3	3
Evaluation officers	7	7
Evaluation research analyst	2	1
Evaluation knowledge and communication officer	-	1
<b>Subtotal Professional staff</b>	<b>14</b>	<b>14</b>
<b>General Service staff</b>		
Administrative assistant	1	1
Assistant to Director	1	1
Assistant to Deputy Director	1	1
Evaluation assistants	3	3
<b>Subtotal General Service staff</b>	<b>6</b>	<b>6</b>
<b>Grand total</b>	<b>20</b>	<b>20</b>

## B. Budget requirements

160. The peer review's recommendations and their implementation will have implications for the product and process matrix and for the budget. In 2021, IOE will be undertaking new products such as SREs and PCEs. Resource requirements reported for these evaluations are based on best estimates by IOE. The actual level of resources required to undertake these new products in the future will become clear towards the end of 2021.
161. The proposed budget is presented by type of activity or evaluation in table 3 and by divisional goals in table 4. IOE has simplified the budget presentation and reduced the number of annexes, in line with the recommendations of the external peer review. Where applicable, the tables compare the relevant budget for 2021 with that of the previous year(s). Table 5 contains the IOE gender-sensitive budget, which identifies the budget distribution for gender-related activities.
162. **Assumptions.** The parameters used to develop the current proposed 2021 budget are the same as those used in 2020. They are as follows: (i) no increase in the salary levels of Professional and General Service staff is anticipated for 2021; (ii) inflation will be absorbed to the greatest extent possible; and (iii) an exchange rate of US\$1=EUR 0.885. The parameters are subject to change once OSB provides IOE with the updated exchange rate and resultant change in standard staff costs.
163. **Budget by type of activity.** IOE proposes to decrease the total number of PPEs from six in 2020 to four in 2021 and maintain the number of ESRs at one. IOE will also undertake five new CSPEs in 2021, the same number as in 2020. On the other hand, IOE will undertake one SRE and one PCE, both new products to be introduced in 2021. In line with the recommendations of the external peer review, IOE intends to maintain some flexibility in its budgeting so that it can respond better to emerging organizational needs. To this end, IOE proposes to start with a buffer of US\$70,000 for unforeseen evaluation work as reflected in table 3 below.

Table 3  
**Proposed budget for 2021 by type of activity and comparison with previous budgets**

Type of activity	Approved 2018 budget (US\$)	Approved 2019 budget (US\$)	Approved 2020 budget (US\$)	Absolute number 2020	Level of effort 2020	Proposed 2021 budget (US\$)	Absolute number 2021	Level of effort 2021
<b>Non-staff costs</b>								
ARRI	80 000	80 000	80 000	1	1	80 000	1	1
CLEs	430 000	430 000	100 000	2	1	210 000	2	1
TE	-	-	300 000	1	0.7	50 000	1	0.3
CSPEs	1 000 000	1 000 000	1 000 000	7	5.2	840 000	7	5
SREs	-	-	-	-	-	300 000	1	0.7
ESRs	110 000	55 000	55 000	1	1	60 000	1	0.5
PCEs	-	-	-	-	-	130 000	1	1
PPEs	320 000	320 000	240 000	6	6	160 000	4	4
PCRVs	30 000	30 000	45 000	30	30	50 000	35	35 <sup>14</sup>
IEs	200 000	200 000	200 000	-	-	-	-	-
Evaluation manual	-	-	-	-	-	80 000	-	-
IOE multi-year strategy	-	-	-	-	-	10 000	-	-
Knowledge-sharing, communication, evaluation outreach and partnership activities	200 000	260 000	260 000	-	-	270 000	-	-
Evaluation capacity development (ECD), training and other costs	135 390	135 390	120 390	-	-	120 000	-	-
Buffer for unforeseen evaluation work	-	-	80 000	-	-	70 000	-	-
<b>Total non-staff costs</b>	<b>2 505 390</b>	<b>2 510 390</b>	<b>2 480 390</b>	-	-	<b>2 430 000</b>	-	-
<b>Staff costs</b>	<b>3 307 259</b>	<b>3 473 221</b>	<b>3 388 338</b>	-	-	<b>3 388 338</b>	-	-
<b>Total</b>	<b>5 812 649</b>	<b>5 983 611</b>	<b>5 868 728</b>	-	-	<b>5 818 338</b>	-	-
<b>External peer review</b>	<b>100 000</b>	<b>200 000</b>	-	-	-	-	-	-
<b>Recruitment of IOE</b>								
<b>Director</b>			<b>137 000*</b>	-	-	-	-	-
<b>New Evaluation Policy</b>			<b>50 000</b>	-	-	-	-	-
<b>Total budget</b>	<b>5 912 649</b>	<b>6 183 611</b>	<b>6 055 728</b>	-	-	<b>5 818 338</b>	-	-

\* Estimate based on discussions with IFAD's HRD, assuming that a head-hunting agency will be employed. In 2013, an amount of US\$189,000 was approved for recruitment of the Director, IOE.

164. **Cost drivers.** One of the fundamental cost drivers in 2021 will be the implementation of peer review recommendations, given the new products and processes being introduced and changes in methodology as a result. IOE's costs are largely determined by the number and kind of evaluations it undertakes in a given year.

165. **Budget by divisional goals.** Table 4 shows the allocation of the total IOE proposed budget for 2021, including both staff and non-staff costs, against IOE's divisional goals.<sup>15</sup>

<sup>14</sup> This number is purely indicative of the number of project completion reports (PCRs) that IOE receives each year. The actual number of PCRVs undertaken may differ.

<sup>15</sup> For 2021 IOE has revised its strategic goals/objectives.

Table 4  
**Proposed 2021 budget allocation by strategic goal**

<i>Strategic goals</i>	<i>Budget</i>	<i>% of total budget</i>
Ensure credible and independent evidence to promote accountability and improve IFAD performance at corporate, regional, country and project level	3 869 282	66.5
Contribute to enhanced evaluation dialogue within IFAD and at the global, regional and country level	677 603	11.6
Strengthen a culture of results and learning from evaluations within IFAD	1 271 453	21.9
<b>Total</b>	<b>5 818 338</b>	<b>100</b>

Note: percentages are rounded up.

166. **Gender-sensitive budget.** IOE's methodology for constructing a gender-sensitive budget entails determining the proportion of staff and non-staff costs devoted to analysing and reporting on gender issues in its evaluations. It is important to note that IOE has a dedicated criterion on gender equality and women's empowerment that is applied in all ARRIs, CSPEs, PPEs, PCRVs and IEs. The same criterion will be used in the new products, PCEs and SREs. Attention is also paid to gender issues in other evaluations such as CLEs and ESRs. Table 5 shows that 7.1 per cent of the total proposed IOE budget for 2021 is directly allocated to the examination of gender issues.

Table 5  
**IOE 2021 gender-sensitive budget**

<i>Type of activity</i>	<i>Proposed 2021 budget</i>	<i>Gender component (percentage)</i>	<i>US\$</i>
<b>Non-staff costs</b>			
ARRI	80 000	10	8 000
CLEs	210 000	10	21 000
TE	50 000	10	5 000
CSPEs	8 40 000	10	84 000
SREs	300 000	10	30 000
ESRs	60 000	7	4 200
PCEs	130 000	7	9 100
PPEs	160 000	7	11 200
Evaluation manual	80 000	7	5 600
IOE multi-year strategy	10 000	5	500
PCRVs	50 000	5	2 500
Knowledge-sharing, communication, evaluation outreach and partnership activities	270 000	7	18 900
ECD, training and other costs	120 000	5	6 000
Buffer for unforeseen evaluation work	50 000	5	2 500
<b>Total non-staff costs</b>	<b>2 430 000</b>	<b>8.6</b>	<b>210 200</b>
<b>Staff costs</b>			
Gender focal point	161 400	20	32 280
Alternate gender focal point	105 700	10	10 570
All evaluation staff	3 247 400	5	162 370
<b>Total staff costs</b>	<b>3 388 338</b>	<b>6</b>	<b>205 220</b>
<b>Total</b>	<b>5 818 338</b>	<b>7.1</b>	<b>415 420</b>

## VI. IOE budget proposal and considerations for the future

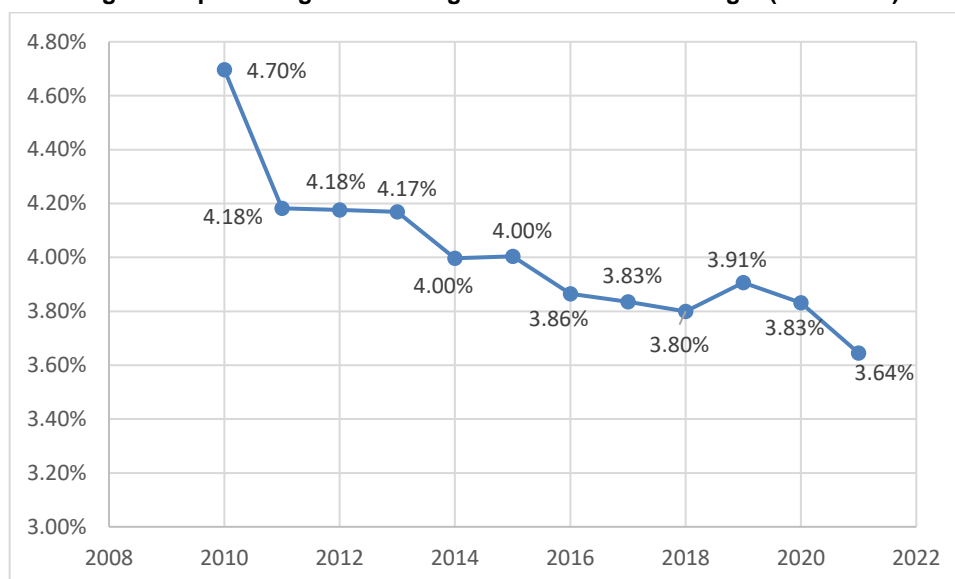
167. **Current proposal.** The proposed 2021 budget totals US\$5.81 million. The proposed budget is US\$50,390 less than the approved budget for 2020, which was US\$5.86 million. The proposed budget for 2021 shows a nominal reduction of

0.85 per cent from IOE's approved budget for 2020, driven by a small reduction in non-staff costs. This is the second consecutive budget proposal entailing a nominal decrease in IOE budget.

168. IFAD's budget rules allow for a limited carry-over of IFAD administrative budget and IOE budget from one year to subsequent year. As has been the usual practice in the past, in 2021, IOE may benefit from a budget carry-over from 2020 in the percentage of carry-over authorized by the Executive Board for IFAD's administrative budget for 2020. Such carry-over will be used for non-recurrent activities in accordance with relevant IFAD budget guidelines.
169. **Streamlining processes and promoting efficiency.** IOE's budget as a percentage of IFAD's administrative budget has witnessed a consistent decline over the last decade (see figure 1). A similar trend is projected for 2021, with IOE's budget expected to be 3.64 per cent of IFAD's proposed administrative budget of US\$159.41 million. This decline has come about in spite of the increasing complexity of IFAD's operations and resultant increase in complexity of evaluations in recent years. Over the years IOE has sought to streamline processes and products and absorb cost increases to the extent possible.

Figure 1

**IOE budget as a percentage of IFAD regular administrative budget (2010-2021)**



170. **Compliance with Executive Board mandated budget cap and future considerations.** IOE's budget cap is fixed at 0.9 per cent of IFAD's PoLG. The projected IFAD PoLG for 2021 is US\$934 million. Thus, IOE's proposed budget is 0.62 per cent of the PoLG, due to the fact that IFAD has front-loaded most of its PoLG for IFAD11 in the years 2019 and 2020. This trend may become more pronounced in the future as IFAD progressively moves towards larger projects and any uneven distribution of number of projects approved within a replenishment period may result in IOE breaching the budget cap in one or more of those years. If the sum of IOE budgets for the IFAD11 period (2019-2021) is considered over the total PoLG for the same period, the ratio would be 0.5 per cent, which is well below the cap set by the Executive Board.
171. In view of the practice of front-loading as described above, IOE proposes that, in any IFAD replenishment period, the ratio of 0.9 per cent be calculated on a three-year average of the PoLG.<sup>16</sup>

<sup>16</sup> If, for example, the PoLG is US\$3.3 billion, the annual ratio of IOE budget would be computed on a denominator of US\$1.1 billion, which is the three-year average of the PoLG.

## **Part three – Heavily Indebted Poor Countries Initiative progress report for 2020**

### **I. Introduction**

172. The objective of this progress report for 2020 is to:

- Inform the Executive Board of the state of implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and of IFAD's participation therein; and
- Seek Executive Board approval for submitting the substance of this progress report to the forthcoming session of the Governing Council for information.

### **II. Progress in HIPC Initiative implementation**

173. Substantial progress has been made in the Initiative since inception in 1996. Table 1 below provides a summary by participating Member States and by stage.

174. Approximately 92 per cent of eligible countries (35 out of 38) have reached completion point and are currently benefiting from HIPC assistance.

175. In March 2020, the executive boards of the International Monetary Fund and the International Development Association (IDA) agreed to support a comprehensive debt-reduction package for Somalia under the enhanced HIPC Initiative. Somalia has passed decision point and has qualified for HIPC assistance, while the HIPC debt relief will only begin at completion point, currently forecast by the World Bank and IDA as in 2023. As a precondition for debt relief to be delivered at completion point, arrears have to be cleared by major creditors. In line with the practice adopted by other financial institutions, Management is in discussions with the Government of Somalia to find a suitable solution for clearance of the arrears and current dues towards IFAD. Management will inform the Executive Board of progress made and aims to submit a proposal for approval in 2021. This will also include a proposal for IFAD's re-engagement with Somalia, allowing the country to access core resources and address country priorities. Member States are encouraged to provide additional resources to support the clearance of Somalia's arrears – a condition for IFAD's re-engagement – as well as to sustain IFAD's commitment towards the HIPC Initiative.

176. As of 30 September 2020, two countries – Eritrea and Sudan – were still at the pre-decision stage and have yet to start the process of qualifying for debt relief under the Initiative.

Table 1  
**Member States participating in the HIPC Initiative, by stage**

<i>Completion point countries (35)</i>	<i>Decision point countries</i>	<i>Pre-decision point countries (2)</i>
Benin	Somalia	Eritrea
Bolivia (Plurinational State of)	-	Sudan
Burkina Faso	-	
Burundi	-	
Cameroon	-	
Central African Republic	-	
Chad	-	
Comoros	-	
Congo	-	
Côte d'Ivoire	-	
Democratic Republic of the Congo	-	
Ethiopia	-	
Gambia (The)	-	
Ghana	-	
Guinea	-	
Guinea-Bissau	-	
Guyana	-	
Haiti	-	
Honduras	-	
Liberia	-	
Madagascar	-	
Malawi	-	
Mali	-	
Mauritania	-	
Mozambique	-	
Nicaragua	-	
Niger	-	
Rwanda	-	
Sao Tome and Principe	-	
Senegal	-	
Sierra Leone	-	
United Republic of Tanzania	-	
Togo	-	
Uganda	-	
Zambia	-	

### III. Total commitments of the HIPC Initiative to IFAD

177. IFAD's financial commitment in the overall HIPC Initiative is equivalent to US\$690.6 million, as shown in table 2 below. The estimate may vary depending on changes in economic conditions, HIPC discount rates and potential delays in the remaining countries reaching decision and completion points.

Table 2  
**HIPC commitments**  
 (amounts expressed in SDR/US\$ million)

	<i>Net Present Value</i>		<i>Nominal</i>	
	<i>SDR</i>	<i>US\$<sup>a</sup></i>	<i>SDR</i>	<i>US\$<sup>a</sup></i>
Completion point countries	247.15	348.40	375.08	528.70
Pre-decision point <sup>b</sup>	94.20	132.80	114.90	161.90
	<b>341.35</b>	<b>481.20</b>	<b>489.98</b>	<b>690.60</b>

<sup>a</sup> Exchange rate prevailing on 30 September 2020 of 1.40954.

<sup>b</sup> Figures still include Somalia at pre-decision point, IFAD will submit a decision point proposal at future sessions of the Executive Board for approval.

178. As of 30 September 2020, the Fund provided debt relief amounting to US\$504.7 million to eligible countries at completion point, while future debt relief is equivalent to US\$23.9 million, as shown in table 3 below.



Table 3  
**HIPC debt relief for completion point countries**  
 (amounts expressed in SDR/US\$ million)

		<i>Nominal</i>	
		<i>SDR</i>	<i>US\$</i>
Completion point countries	Debt relief provided	358.10	504.76
	Future debt relief	16.98	23.94
		<b>375.08</b>	<b>528.70</b>

179. Total debt relief payments are estimated at US\$8.0 million for 2021.

#### **IV. Financing debt relief**

180. IFAD funds its participation in the HIPC Initiative with external contributions (either paid directly to IFAD or transferred through the HIPC Trust Fund administered by the World Bank) and its own resources. Paid external contributions<sup>17</sup> amount to about US\$287.1 million (53.8 per cent), and contributions from IFAD's own resources amount to about US\$245.2 million (45.3 per cent) for transfers made from 1998 to 2020. The remainder is covered by investment income from the IFAD HIPC Trust Fund balance of approximately US\$8.4 million (as at end-September 2020).
181. To mitigate the impact of debt relief on resources available for commitment to new loans and grants, Member States have supported IFAD's formal access to the HIPC Trust Fund administered by the World Bank. This was agreed in 2006, recognizing that it would add to the overall financing requirements of the HIPC Trust Fund. Since 2006 IFAD has signed several grant agreements bringing the total received to date to US\$215.6 million.

<sup>17</sup> External funding includes contributions from Member States of US\$71.5 million and contributions from the World Bank HIPC Trust Fund of US\$215.6 million.

## Part four – Progress report on implementation of the performance-based allocation system

### I. Application of the performance-based allocation system in 2020

182. In December 2018 Management presented to the Executive Board the performance-based allocation system (PBAS) allocations for the IFAD11 period (2019-2021). In line with IFAD11 commitments (GC 41/L.3/Rev.1), 80 countries were included in the allocations calculation following the application of country selectivity.<sup>18</sup> With regard to financing for country groupings, in line with IFAD11 commitments, 90 per cent of IFAD's core resources were allocated to low-income countries and lower-middle-income countries. The remaining 10 per cent of IFAD's core resources were allocated to upper-middle-income countries. Between 25 per cent and 30 per cent of core resources were allocated to countries with the most fragile situations, 50 per cent to Africa and 45 per cent to sub-Saharan Africa. In addition, IFAD allocated approximately two thirds of its core resources on highly concessional terms.
183. At its December 2019 session, the Executive Board supported Management's proposal to retain the IFAD11 allocations as presented in December 2018 for the whole duration of the cycle.<sup>19</sup> In making this decision, consideration was given to the IFAD11 financial framework to ensure the Fund's long-term financial sustainability, including the proportion of grants to be allocated in line with the Debt Sustainability Framework (DSF) mechanism to countries eligible for highly concessional terms. This is in line with the Executive Board decisions regarding the percentage eligibility of countries for the DSF in IFAD11.<sup>20</sup> The Executive Board decision also fostered portfolio stability as the great majority of resources for the IFAD11 cycle had already been programmed (approved or in IFAD's official pipeline).
184. In line with the above-mentioned Executive Board decision, allocations for 2021 remain unvaried. As of 24 September 2020, 97 per cent of PoLG resources distributed through PBAS<sup>21</sup> have already been programmed.

### II. Country lending terms for IFAD11

185. **Uptake of the Debt Sustainability Framework offer.** In May 2019, Management presented to the Executive Board the percentage of DSF grant resources offered to the 32 eligible countries for the IFAD11 period:
- Countries at moderate risk of debt distress were offered 80 per cent of their allocation on DSF grant terms and the remaining 20 per cent, on an optional basis, on highly concessional terms (concessional level of 91 per cent).
  - Countries at high risk or in debt distress were offered 27 per cent of their allocation on DSF grant terms and the remaining 73 per cent on highly

<sup>18</sup> In order to determine the countries that would access new resources in IFAD11, Management and members agreed on three actionable criteria: (i) strategic focus: existence of a valid country strategic opportunities programme or country strategy note early in the PBAS cycle. This would ensure that qualifying countries have a strategic vision of how to use IFAD resources and are therefore ready to engage in concrete operational discussions; (ii) absorptive capacity: all operations in a country that have been effective for more than one year must have disbursed funds at least once in the previous 18 months. This would provide a practical measure of resource absorption capacity and allow the Fund to sequence new designs more closely with implementation support and non-lending activities; and (iii) ownership: no approved loans are pending signature for more than 12 months. This proxy would ensure the adequate ownership and commitment to facilitate the use of IFAD's resources.

<sup>19</sup> EB 2019/128/R.3/Add.2 and EB 2019/128.

<sup>20</sup> EB 2019/126/R.26.

<sup>21</sup> Approved projects and official pipeline projects as of 24 September 2020 amount at US\$3,211 million out of US\$3,325 million distributed through PBAS in IFAD11.

concessional terms, with 46 per cent of the allocation offered on highly concessional terms on an optional basis (concessional level of 69 per cent).

186. Compared to the IFAD10 period, the resources allocated for the 16 countries in or at high risk of debt distress increased 61 per cent and all such borrowers were offered higher grant allocations; resources allocated for the 16 countries at moderate risk of debt distress increased 43 per cent and six borrowers were offered higher grant allocations.
187. To date, changes to the grant proportion of the IFAD11 allocation have been accepted by 25 out of 32 DSF-eligible countries. The total allocation accepted by concerned countries amounts to US\$1.1 billion out of a total US\$1.2 billion. In grant terms, US\$570 million out of US\$596 million of the DSF grants envelope has been approved.
188. Twelve countries in debt or at high risk of debt distress, representing 86 per cent of the volume for this category, accepted the new terms for their allocations. Thirteen countries at moderate risk of debt distress, representing 91 per cent of the volume for this category, accepted the new terms for their respective allocations.
189. To date, only Afghanistan, Kiribati and Samoa (with a total allocation of US\$59 million) have officially declined their optional highly concessional portion of lending (US\$11.8 million).<sup>22</sup> In addition, Yemen remains in debt repayment arrears status and therefore is not in a position to access its PBAS allocation (US\$10 million). Consequently, available unused resources amount to US\$21.8 million.

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<sup>22</sup> Afghanistan declined an envelope of US\$10 million; Kiribati and Samoa declined a respective envelope of US\$0.9 million each.

## Part five – Recommendations<sup>23</sup>

190. In accordance with article 7, section 2(b), of the Agreement Establishing IFAD, the Executive Board has approved and is transmitting to the Governing Council:
- The programme of loans and grants for 2021 at a level of SDR 658 million (US\$934 million), which comprises a lending programme of SDR 633 million (US\$899 million) and a gross grant programme of SDR 25 million (US\$35 million). It is noted that the programme of loans and grants has been approved at this level for planning purposes and will be adjusted as needed during 2021 in accordance with available resources.
191. 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 Governing Council approve:
- The administrative budget comprised of, first, the regular budget of IFAD for 2021 in the amount of US\$159.4 million; second, the capital budget of IFAD for 2021 in the amount of US\$6.75 million; and third, the budget of the Independent Office of Evaluation of IFAD for 2021 in the amount of US\$5.818 million;
  - That unobligated appropriations at the close of the financial year 2020 may be carried forward into the 2021 financial year up to an amount not exceeding 10 per cent of the corresponding appropriations.
192. It is recommended that the Executive Board submit the substance of the progress report on IFAD's participation in the Heavily Indebted Poor Countries Initiative to the forty-fourth session of the Governing Council for information.
193. It is recommended that the Executive Board submit a progress report on implementation of the performance-based allocation system to the forty-fourth session of the Governing Council, based on the report provided in part four of the present document.

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<sup>23</sup> The recommendation will be amended to reflect recommendations arising from the HIPC and PBAS sections, as appropriate, in the document presented to the Executive Board in December 2020.

## Draft resolution .../XXXXX

### **Administrative budget comprising the regular budget, capital budget and an Independent Office of Evaluation of IFAD budget for 2021, and a targeted capacity investment of IFAD for 2021.**

#### **The Governing Council of IFAD,**

**Bearing in mind** article 6.10 of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD;

**Noting** that, at its 131<sup>st</sup> session, the Executive Board reviewed and agreed upon a programme of loans and grants of IFAD for 2021 at a level of SDR 658 million (US\$934 million), which comprises a lending programme of SDR 633 million (US\$899 million) and a gross grant programme of SDR 25 million (US\$35 million);

**Having considered** the review of the 131<sup>st</sup> session of the Executive Board concerning the proposed regular budget, capital budget and the Independent Office of Evaluation of IFAD budget for 2021;

**Aware** that, in 2004, Governing Council resolution 133/XXVII authorized the amendment of regulation VI, paragraph 2 of the Financial Regulations of IFAD, to allow unobligated appropriations at the close of the financial year to be carried forward into the following financial year up to an amount not exceeding 3 per cent of the said financial year;

**Conscious** that the aforementioned 3 per cent carry forward currently applies to the administrative budget, and noting the need for a 10 per cent cap for carrying forward unspent balances arising from savings achieved in 2020 into the 2021 financial year to support delivery of certain corporate priorities;

**Approves** the administrative budget, comprising: first, the regular budget of IFAD for 2021 in the amount of US\$159.4 million; second, the capital budget of IFAD for 2021 in the amount of US\$6.75 million; third, the budget of the Independent Office of Evaluation of IFAD for 2021 in the amount of US\$5.818 million, as set forth in document GC 43/L.X, determined on the basis of a rate of exchange of EUR 0.885: US\$1;

**Determines** that, in the event the average value of the United States dollar in 2021 should change against the euro rate of exchange used to calculate the budget, the total United States dollar equivalent of the euro expenditures in the budget shall be adjusted in the proportion that the actual exchange rate in 2021 bears to the budget exchange rate; and

**Further** approves that unobligated appropriations at the close of the financial year 2020 may be carried forward into the 2021 financial year up to an amount not exceeding 10 per cent of the corresponding appropriations.

## Indicative list of countries with projects in the pipeline for 2021 (new projects and additional financing for ongoing projects)

<i>West and Central Africa</i>	<i>East and Southern Africa</i>	<i>Asia and the Pacific</i>	<i>Latin America and the Caribbean</i>	<i>Near East, North Africa and Europe</i>
<b>New projects</b>				
Chad	Burundi	India (2)	Argentina	Iraq
Congo	Kenya	Pakistan	Bolivia (Plurinational State of)	Kyrgyzstan
Ghana	Lesotho	Viet Nam	Brazil	Syrian Arab Republic
Nigeria	Rwanda		Dominican Republic	Tajikistan
	South Sudan		Guyana	
	Zambia		Haiti (2)	
	Zimbabwe		Mexico	
			Nicaragua	
<b>4</b>	<b>7</b>	<b>4</b>	<b>9</b>	<b>4</b>
<b>Additional financing proposals</b>				
Benin	Comoros			
Guinea	Madagascar			
Sierra Leone				
Togo				
<b>4</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total new projects				<b>28</b>
Total additional financing				<b>6</b>
<b>Total investments</b>				<b>34</b>

Source: Grants and Investments Projects System as at 26 October 2020.

## Regular budget by cost category and department, 2020 approved and realigned\* budget versus 2021 proposal

Table 1A

### Regular budget by cost category and department, 2020 approved and realigned budget versus 2021 proposal

(Millions of United States dollars)

Department	Staff			Consultants			Duty travel			ICT non-staff costs			Other costs		
	2020	2020 (realigned)	2021	2020	2020 (realigned)	2021	2020	2020 (realigned)	2021	2020	2020 (realigned)	2021	2020	2020 (realigned)	2021
Office of the President and Vice-President	2.75	2.75	2.53	0.03	0.03	0.05	0.22	0.22	0.05	-	-	-	0.18	0.18	0.16
Corporate Services Support Group	7.31	<b>7.61</b>	9.50	0.91	0.91	0.77	0.17	0.17	0.13	0.04	0.04	0.04	0.34	<b>0.35</b>	0.29
External Relations and Governance Department	11.87	11.87	11.91	1.76	1.76	1.84	0.96	0.96	0.51	0.11	0.11	0.11	1.90	1.90	2.85
Strategy and Knowledge Department	13.26	13.26	14.21	0.99	0.99	0.88	0.60	0.60	0.26	0.00	-	-	0.97	0.97	0.47
Programme Management Department	32.57	32.57	33.30	15.44	15.44	15.89	6.81	6.81	5.29	0.11	0.11	0.07	7.98	7.98	5.98
Financial Operations Department	11.04	<b>10.74</b>	9.96	1.87	1.87	2.45	0.56	0.56	0.35	0.00	0.00	0.06	0.36	<b>0.34</b>	0.31
Corporate Services Department	14.52	14.52	14.06	1.53	1.53	2.46	0.27	0.27	0.37	4.90	4.90	5.37	5.56	5.56	6.27
Corporate cost centre (allocable)	1.00	1.00	-	-	-	-	-	-	-	0.30	0.30	0.30	3.79	3.79	5.45
Corporate cost centre (not allocable)	-	-	-	-	-	-	-	-	-	-	-	-	4.95	4.95	4.95
Planned reductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>94.32</b>	<b>94.32</b>	<b>95.46</b>	<b>22.51</b>	<b>22.51</b>	<b>24.34</b>	<b>9.60</b>	<b>9.60</b>	<b>6.96</b>	<b>5.45</b>	<b>5.45</b>	<b>5.94</b>	<b>26.02</b>	<b>26.02</b>	<b>26.71</b>

\*Realigned budget reflects the new organizational structure implemented on 1 September 2020.

Table 1B  
**Regular budget by cost category and department, 2020 approved and realigned  
 budget versus 2021 proposal**

(Millions of United States dollars)

<i>Department</i>	<i>Total</i>			<i>Change (2021 vs realigned 2020)</i>
	<i>2020</i>	<i>2020 (realigned)</i>	<i>2021</i>	
Office of the President and Vice-President	3.18	3.18	2.77	(0.41)
Corporate Services Support Group	8.77	9.08	10.73	1.65
External Relations and Governance Department	16.59	16.59	17.22	0.63
Strategy and Knowledge Department	15.81	15.81	15.82	0.01
Programme Management Department	62.91	62.91	60.52	(2.39)
Financial Operations Department	13.83	13.52	13.12	(0.40)
Corporate Services Department	26.77	26.77	28.53	1.76
Corporate cost centre (allocable)	5.09	5.09	6.35	1.26
Corporate cost centre (not allocable)	4.95	4.95	4.35	(0.60)
Planned reductions	-	-	-	-
<b>Total</b>	<b>157.90</b>	<b>157.90</b>	<b>159.41</b>	<b>1.51</b>

\*Realigned budget reflects the new organizational structure implemented on 1 September 2020.



## Indicative breakdown of 2021 regular budget by results pillar and institutional output group

(Millions of United States dollars)

Pillar	2019		2020		2021	
	US\$	% of total	US\$	% of total	US\$	% of total
<b>Pillar 1 – Country programme delivery</b>						
Country strategies and programmes	7.82	5	6.57	4	7.30	5
Country-level policy engagement	1.7	1	2.13	1	2.34	1
Design of new loan and grant financed projects	19.92	12	14.85	9	13.26	8
Supervision and implementation support	26.41	16	27.71	18	27.98	18
Enable and support	20.74	13	22.43	14	21.48	13
Enabling management functions	3.76	2	3.00	2	2.58	2
Allocable corporate costs	3.24	2	3.49	2	2.55	2
<b>Subtotal pillar 1</b>	<b>83.6</b>	<b>52</b>	<b>80.17</b>	<b>51</b>	<b>77.50</b>	<b>49</b>
<b>Pillar 2 – Knowledge building, dissemination and policy engagement</b>						
Corporate knowledge and research	3.76	2	3.06	2	3.57	2
Communication and outreach	4.83	3	5.78	4	5.71	4
South-South and Triangular Cooperation	0.86	1	1.02	1	0.98	1
Impact assessments	1.3	1	1.86	1	1.01	1
Global policy engagement and global partnerships	3.32	2	3.76	2	4.04	2
Enable and support	2.9	2	2.83	2	3.39	2
Enabling management functions	1.43	1	1.09	1	0.93	1
Allocable corporate costs	-	-	-	-	-	-
<b>Subtotal pillar 2</b>	<b>18.39</b>	<b>11</b>	<b>19.41</b>	<b>12</b>	<b>19.63</b>	<b>12</b>
<b>Pillar 3 – Financial capacity and instruments</b>						
Replenishment	0.73	-	1.16	1	1.00	-
Resource mobilization and management of additional resources	3.8	2	3.29	2	3.48	2
Corporate financial management and reporting	0.91	1	0.90	1	0.97	1
Corporate fiduciary and financial risk management	2.53	2	2.55	2	2.62	2
Corporate controllership	0.28	-	0.66	-	0.65	-
Financial projections, products, strategic and operational liquidity planning/management	0.46	-	0.89	1	1.12	1
Investment portfolio management	0.5	-	0.53	-	0.56	-
Enable and support	3.52	2	3.95	3	4.62	3
Enabling management functions	1.5	1	1.42	1	1.53	1
Unallocable corporate costs	0.2	-	0.20	-	0.20	-
<b>Subtotal pillar 3</b>	<b>14.43</b>	<b>9</b>	<b>15.54</b>	<b>10</b>	<b>16.74</b>	<b>11</b>
<b>Pillar 4 – Institutional functions, services and governance</b>						
Enabling information technology environment	5.38	3	5.27	3	5.13	3
Client-oriented transaction services	0.85	1	0.81	1	0.98	1
Administrative services	2.44	2	1.97	1	2.03	1
Headquarters security services	1.39	1	1.30	1	1.30	1
Facilities management	2.7	2	2.57	2	2.85	2
Human resource management	4.08	3	4.64	3	5.46	3
Corporate planning, budgeting and reporting	3.98	2	3.63	2	3.55	2
Budget planning, monitoring and organizational development ( <i>combined with above IOG in 2019</i> )	n/a	n/a	n/a	n/a	n/a	n/a
Internal oversight and risk management	3.15	2	3.40	2	3.63	2
Corporate legal services	0.55	-	0.57	-	0.47	-
IFAD management functions	1.79	1	1.55	1	1.33	1
In-house communications	0.38	-	0.32	-	0.33	-

Ethics Office	0.68	-	0.69	-	0.65	-
Governing Bodies	4.97	3	5.24	3	4.86	3
Membership and protocol	1.01	1	0.47	-	0.81	1
Enable and support	2.87	2	1.55	1	1.62	1
Enabling management functions	2.37	1	2.43	2	2.60	2
Allocable corporate costs	1.8	1	1.40	1	3.20	2
Unallocable corporate costs	4.84	3	4.95	3	4.75	3
<b>Subtotal pillar 4</b>	<b>45.22</b>	<b>28</b>	<b>42.78</b>	<b>27</b>	<b>45.55</b>	<b>29</b>
<b>Subtotal</b>	<b>161.6</b>	<b>100</b>	<b>157.90</b>	<b>100</b>	<b>159.41</b>	<b>100</b>
<b>Planned reductions</b>	<b>(3.43)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>158.2</b>	<b>100</b>	<b>157.90</b>	<b>100</b>	<b>159.41</b>	<b>100</b>

## Indicative 2021 staff levels, regular budget only

(Full-time equivalents)<sup>a</sup>

Department	Continuing and fixed-term staff			Locally recruited field staff	Total 2021
	Professional and higher	General Service	Total continuing and fixed-term staff		
<b>Office of the President and Vice-President (OPV)</b>	<b>8</b>	<b>6</b>	<b>14</b>	<b>-</b>	<b>14</b>
<b>Corporate Services Support Group (CSSG)</b>					
Office of the General Counsel	16	4.5	20.5	-	20.5
Office of Strategic Budgeting	4	1	5	-	5
Office of Audit and Oversight	11	2.5	13.5	-	13.5
Ethics Office	2	1	3	-	3
Quality Assurance Group	6	2	8	-	8
Change, Delivery and Innovation Unit	2	-	2	-	2
Office of Enterprise Risk Management	10	1	11	-	11
<b>Subtotal CSSG</b>	<b>51</b>	<b>12</b>	<b>63</b>	<b>-</b>	<b>63</b>
<b>External Relations and Governance</b>					
ERG front office	2	1	3	-	3
Global Engagement, Partnership and Resource Mobilization	19	5	24	3	33
Office of the Secretary	11	16	27	-	27
Communications Division	18	4	22	5	27
<b>Subtotal ERG</b>	<b>50</b>	<b>26</b>	<b>76</b>	<b>8</b>	<b>84</b>
<b>Strategy and Knowledge Department (SKD)</b>					
SKD front office	4	2	6	-	6
Environment, Climate, Gender and Social Inclusion Division	24	5	29	4	33
Sustainable Production, Markets and Institutions Division	32	8	40	5	45
Research and Impact Assessment Division	6	2	8	-	8
<b>Subtotal SKD</b>	<b>66</b>	<b>17</b>	<b>83</b>	<b>9</b>	<b>92</b>
<b>Programme Management Department (PMD)</b>					
PMD front office	3	3	6	-	6
Operational Policy and Results Division	15	4	19	-	19
West and Central Africa Division	26	7	33	31	64
East and Southern Africa Division	22	6	28	26	54
Asia and the Pacific Division	23	7	30	27	57
Latin America and the Caribbean Division	18	5	23	10	33
Near East, North Africa and Europe Division	22	7	29	14	43
<b>Subtotal PMD</b>	<b>129</b>	<b>39</b>	<b>168</b>	<b>108</b>	<b>276</b>
<b>Financial Operations Department (FOD)</b>					
FOD front office	2	1	3	-	3
Financial Management Services Division	19	4	23	6	29
Financial Controller's Division	11	12	23	-	23
Treasury Services Division	13	4	17	-	17
<b>Subtotal FOD</b>	<b>45</b>	<b>21</b>	<b>66</b>	<b>6</b>	<b>72</b>
<b>Corporate Services Department (CSD)</b>					
CSD front office (incl. Medical Service Unit)	2	1	3	-	3
Human Resources Division	13	9	22	-	22
Administrative Services Division	12	26.5	39	-	38.5
Field Support Unit	4	2	6	-	6
Information and Communications Technology Division	21	15	36	-	36
<b>Subtotal CSD</b>	<b>53</b>	<b>54.5</b>	<b>107.5</b>	<b>-</b>	<b>107.5</b>
<b>Grand total 2021</b>	<b>402</b>	<b>175.5</b>	<b>577.5</b>	<b>131</b>	<b>708.5</b>
Grand total 2020	374	175	549	109	658

<sup>a</sup> 1 FTE = 12 months. Includes part-time staff corresponding to less than one FTE.

## Indicative 2021 staffing by department and grade

(Full-time equivalents)

Category	Grade	OPV	CSSG	ERG	SKD	PMD	FOD	CSD	2021 total	2020 total
<b>Professional and higher</b>										
	Department head and above	2	-	1	1	1	1	1	7	7
	D-2	1	2	-	-	-	-	1	4	3
	D-1	-	3	4	3	6	3	2	21	21
	P-5	1	8	7	23	34	4	8	85	85
	P-4	3	12	15	23	49	13	16	131	119
	P-3	-	22	19	14	31	16	15	117	101
	P-2	1	4	5	2	8	4	11	35	33
	P-1	-	-	-	1	-	4	-	5	5
<b>Subtotal – Professional and higher</b>		<b>8</b>	<b>51</b>	<b>51</b>	<b>67</b>	<b>129</b>	<b>45</b>	<b>54</b>	<b>405</b>	<b>374</b>
<b>National officer</b>										
	NOD	-	-	-	-	-	-	-	-	-
	NOC	-	-	-	2	37	1	-	40	39
	NOB	-	-	7	7	18	3	-	35	19
	NOA	-	-	-	-	15	-	-	15	15
<b>Subtotal – National officer</b>		<b>-</b>	<b>-</b>	<b>7</b>	<b>9</b>	<b>70</b>	<b>4</b>	<b>-</b>	<b>90</b>	<b>73</b>
<b>Subtotal – Professional</b>		<b>8</b>	<b>51</b>	<b>58</b>	<b>76</b>	<b>199</b>	<b>49</b>	<b>54</b>	<b>495</b>	<b>447</b>
<b>Headquarters General Service</b>										
	G-7	-	-	-	-	-	-	-	-	-
	G-6	2	2	6	4	23	5	17	59	59
	G-5	2	5	12	7	8	13	18	65	65
	G-4	1	4	5	1	7	1	13.5	32.5	32
	G-3	1	1	3	5	1	2	5	18	18
	G-2	-	-	-	-	-	-	1	1	1
<b>Subtotal – Headquarters General Service</b>		<b>6</b>	<b>12</b>	<b>26</b>	<b>17</b>	<b>39</b>	<b>21</b>	<b>54.5</b>	<b>175.5</b>	<b>175</b>
<b>National General Service</b>										
	G-6	-	-	-	-	1	1	-	2	2
	G-5	-	-	1	-	22	1	-	24	24
	G-4	-	-	-	-	15	-	-	15	10
	G-3	-	-	-	-	-	-	-	-	-
<b>Subtotal – National General Service</b>		<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>38</b>	<b>2</b>	<b>-</b>	<b>41</b>	<b>36</b>
<b>Subtotal – General Service</b>		<b>6</b>	<b>12</b>	<b>27</b>	<b>17</b>	<b>77</b>	<b>23</b>	<b>54.5</b>	<b>216.5</b>	<b>211</b>
<b>Total</b>		<b>14</b>	<b>63</b>	<b>85</b>	<b>93</b>	<b>276</b>	<b>72</b>	<b>108.5</b>	<b>711.5</b>	<b>658</b>
<b>Planned reductions</b>		<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>-</b>
<b>Total after reductions</b>		<b>14</b>	<b>63</b>	<b>84</b>	<b>92</b>	<b>276</b>	<b>72</b>	<b>107.5</b>	<b>708.5</b>	<b>658</b>
Percentage Professional category		57%	81%	68%	82%	72%	68%	49%	69%	68%
Percentage General Service category		43%	19%	32%	18%	28%	32%	51%	31%	32%
Ratio Professional to General Service		1.3	4.3	2.1	4.5	2.6	2.2	1.0	2.3	2.1

## Staff costs

1. The budget for staff costs is generally prepared in accordance with the rules and regulations applied to salaries, allowances and benefits of staff members of the United Nations, who 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 for the IFAD population and actual expenditures relating to IFAD staff. The various components of standard costs represent the best estimate at the time of preparation of the budget document.
3. The change in standard costs from 2020 to 2021 primarily reflects the impact of the changes in within-grade-step increment adjustment and changes to salary scales and in some benefits, as reflected in the table below.

### Composition of standard staff costs

(Millions of United States dollars)

<i>Category description</i>	<i>2021 FTEs at 2020 rates</i>	<i>2021 FTEs at 2021 rates</i>	<i>(Decrease) Increase</i>
<b>Professional staff</b>			
Salaries	31.69	32.63	0.94
Post adjustment	12.05	12.38	0.33
Pension and medical	13.99	14.41	0.42
Education grants	4.73	3.63	(1.10)
Repatriation, separation and annual leave	2.98	3.13	0.15
Home leave	1.36	0.38	(0.98)
Dependency allowances	1.24	0.01	(1.23)
United States tax reimbursement	1.16	(0.01)	(1.17)
Other allowances	4.14	4.75	0.61
Centralized recruitment costs	1.03	1.01	(0.02)
<b>Subtotal</b>	<b>74.37</b>	<b>72.35</b>	<b>(2.05)</b>
<b>General Service staff</b>			
Salaries	11.04	11.51	0.47
Pension and medical	3.30	3.17	(0.13)
Language allowance	0.46	0.41	(0.05)
Repatriation and separation	0.99	0.76	(0.23)
Other allowances	0.39	0.33	(0.06)
<b>Subtotal</b>	<b>16.18</b>	<b>16.18</b>	<b>-</b>
<b>Locally recruited country presence staff</b>	<b>6.65</b>	<b>6.96</b>	<b>0.31</b>
<b>Total regular staff costs</b>	<b>97.20</b>	<b>95.46</b>	<b>(1.74)</b>

## Capital budget (excluding CLEE)\* 2008-2020

(Thousands of United States dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
<b>ICT initiatives</b>														
Loans and grants	710	1 050	2 000	12 000	-	-	-	-	-	-	-	-	175	15 935
(IFAD Client Portal/Loans and Grants System replacement)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Human resources reform	134	541	400	500	-	575	400	-	480	286	-	-	-	3 316
IFAD Country Office infrastructure enhancement – IT and communications	-	-	-	-	-	1 170	-	-	-	-	-	-	-	1 170
Institutional efficiency (automated voting system)	556	300	470	1 423	-	780	787	600	975	775	-	210	200	7 076
Delivering as One	-	440	300	-	-	-	-	-	-	-	-	-	-	740
Knowledge management	-	-	-	-	-	-	613	-	-	-	-	-	-	613
IT infrastructure	600	1 200	360	375	3 215	775	497	1 200	470	890	900	640	981	12 103
Budget and planning systems	-	-	-	-	-	-	-	-	375	-	-	150	-	525
Transparency/accountability	-	-	-	-	-	-	-	-	-	-	500	-	-	500
Borrowing and financial systems	-	-	-	-	-	-	-	-	-	-	300	1 250	2045	3 595
Corporate analytics	-	-	-	-	-	-	-	-	-	-	150	195	-	345
<b>Subtotal ICT initiatives</b>	<b>2 000</b>	<b>3 531</b>	<b>3 530</b>	<b>14 298</b>	<b>3 215</b>	<b>3 300</b>	<b>2 297</b>	<b>1 800</b>	<b>2 300</b>	<b>1 951</b>	<b>1 850</b>	<b>2 445</b>	<b>3 403</b>	<b>45 920</b>
<b>Non-IT headquarters projects</b>	<b>-</b>	<b>550</b>	<b>-</b>	<b>889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>890</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>541</b>	<b>2 970</b>
<b>ICO security and vehicles/MOSS compliance**</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>281</b>	<b>400</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>454</b>	<b>100</b>	<b>100</b>	<b>500</b>	<b>1 935</b>
<b>Total</b>	<b>2 000</b>	<b>4 081</b>	<b>3 530</b>	<b>15 187</b>	<b>3 496</b>	<b>3 700</b>	<b>2 297</b>	<b>2 690</b>	<b>2 400</b>	<b>2 405</b>	<b>1 950</b>	<b>2 645</b>	<b>4 445</b>	<b>50 826</b>

\* CLEE: Corporate-level Evaluation of IFAD's Institutional Efficiency and the Efficiency of IFAD-funded Operations.

\*\* MOSS: United Nations Minimum Operating Security Standards.

## Carry-forward funds allocation

(Thousands of United States dollars)

<i>Department</i>	<i>Description of use of carry-forward funds</i>	<i>2019 3% carry forward</i>
OPV	ERMF	100
CSSG	Scaling up projects under the 2019 Innovation Challenge ideas; ICO upgrade; consultancies to support climate finance and operations, finance and capital markets, and private sector lending; training for QAG capacity-building initiative and conceptual framework; systematization of good practices and continuing delivery of COSOPs.	1 205
ERG	Facility costs for the New York Office; consultancies for Global Donor Platform for Rural Development and on business process re-engineering; incremental costs for IFAD12 replenishment; corporate induction for Executive Board members and observers; extraordinary costs for new features and consultation on COSOPs.	1 752
SKD	Consultancies to support the supplementary environment and climate change funds target and the Youth Engagement Mechanism; strengthening the partnership between IFAD and indigenous peoples; support to implementation of IFAD private sector strategy.	1 062
PMD	Support Samoa and Solomon Islands Private Sector initiative and AIM Nutrition Project; developing IFAD's Small Insular Developing Countries Strategy; roll-out of new tools and resources for improved risk management, transparency and compliance with corporate standards; East and Southern Africa Green Climate Fund pipeline development; Framework for Operational Feedback from Stakeholders implementation; rolling out and delivering training on IFAD's first standard procurement documents and new tools to IFAD project teams in West and Central Africa; strategic reserve for IFAD's COVID-19 response; consultancies to support private sector intervention in Cabo Verde and regional lending in the Sahel region.	1 034
FOD	Implementation/operationalization of anti-money laundering and countering the financing of terrorism policy requirements; private sector financial risk management; consultancy to support green financing; alignment with ISO 20022 global language for payments messaging.	591
CSD	ICO Egypt air quality improvement works; purchase of masks for ICOs; consultancy to finalize the revision of ICO administrative handbook; purchase of necessary and optional COVID-19 emergency staff self-protection and headquarters related items; customer service to IFAD retirees for after-service health insurance; COVID-19 emergency response support for staff and non-staff at both ICOs and headquarters; consultancy services for absence management data clean-up and dashboard development; awareness-raising initiatives on 2018 Global Staff Survey topics; job audit; performance management; analysis and piloting of automation use cases.	1 765
<b>Total</b>		<b>7 509</b>

## Estimate of direct charges on investment income

(Thousands of United States dollars)

	2018	2019	2020	2021
<b>Management fees</b>				
Global government bonds	243	-	-	-
Global diversified fixed income bonds	270	270	-	-
Global inflation-indexed bonds	220	-	-	-
Emerging market debt bonds	315	-	-	-
Global diversified short term bonds	-	180	180	-
Contingent management fees	-	-	-	-
<b>Subtotal management fees</b>	<b>1 048</b>	<b>450</b>	<b>180</b>	<b>-</b>
<b>Custodian fees</b>				
<b>Subtotal custodian fees</b>	<b>425</b>	<b>360</b>	<b>325</b>	<b>356</b>
<b>Advice, information and trade support</b>				
Financial information providers	407	520	560	598
Consultants and financial advisers	325	550	800	600
IT systems	-	710	710	574
Due diligence travel	65	65	65	35
<b>Subtotal advice, information and trade support</b>	<b>797</b>	<b>1 845</b>	<b>2 135</b>	<b>1 807</b>
<b>Overall total</b>	<b>2 270</b>	<b>2 655</b>	<b>2 640</b>	<b>2 163</b>



## IOE Results Management Framework for 2021<sup>24</sup>

Table 1  
IOE key performance indicators for 2021

<i>Divisional goals</i>	<i>Key performance indicators</i>	<i>Target (per year)</i>	<i>Means of verification</i>	
<b>Goal 1:</b> Ensure credible and independent evidence to promote accountability and improve IFAD performance at corporate, regional, country and project level	1. Adoption rate of recommendations from CLEs, CSPEs, ESRs and PPEs	90%	President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and IOE work programme and budget	
	2. Number of outreach products for all evaluations disseminated through social tools and the internet	60		
	3. Number of in-country learning events co-organized by IOE with governments	5 <sup>25</sup>		
	4. Number of page views for IOE reports	55 000		
	5. Number of people receiving IOE newsletters	2 500		
	6. Number of evaluation events with participation of IOE staff	5		IOE records
	7. Piloting and introduction of new evaluation products	2		
	8. Draft evaluation manual	1		
	9. Draft guidance on new evaluation products: PCEs, SREs and TEs	3		
	10. Staff sabbaticals and exchanges with evaluation offices of other United Nations agencies and IFIs	1		
<b>Goal 3:</b> Strengthen a culture of results and learning from evaluations within IFAD	11. Number of events attended by IOE staff related to self-evaluation and ECD	3	IOE records	
	12. IOE multi-year strategy document	1		
	13. Budget cap	< 0.9% of IFAD PoLG		
	14. Ratio of Professional to General Service staff	1:0.46		
	15. Budget execution rate at year-end	97%		

<sup>24</sup> These indicators may be revised in the future when the multi-year strategy is prepared.

<sup>25</sup> Health situation and travel regulations permitting.

## IOE progress on targets for Results Management Framework of 2020

Table 1  
Reporting on IOE key performance indicators (January to September 2020)<sup>26</sup>

Strategic objectives	Divisional management results (DMRs)	Key performance indicators	Achievements as of September 2020	Target (2020)	Means of verification		
<b>SO1:</b> Generate evidence through independent evaluations of IFAD's performance and results to promote accountability	DMR 1: Corporate policies and processes are improved through independent evaluations	1. Adoption rate of recommendations from CLEs, CSPEs, ESRs and PPEs	99 <sup>27</sup>	90%	PRISMA and IOE work programme and budget		
	DMR 2: Country strategies/COSOPs are enhanced through country-level evaluations						
	DMR 3: Systemic issues and knowledge gaps in IFAD are addressed						
	DMR 4: IFAD-supported operations are improved through independent project evaluations						
<b>SO2:</b> Promote evaluation-based learning and an enhanced results culture for better development effectiveness	DMR 5: The evaluation manual is implemented and new evaluation methods and products are piloted	2. Range of new methods and designs applied	2 <sup>28</sup>	2	IOE evaluations		
		3. Evaluations with quantitative analysis	1 <sup>29</sup>	3	IEs and CSPEs		
	DMR 6: Awareness and knowledge of evaluation-based lessons and quality of products are enhanced and increased	4. Number of outreach products for all evaluations disseminated through social tools and the internet	147	70	IOE records		
		5. Number of in-country learning events co-organized by IOE with governments	3 <sup>30</sup>	5			
		6. Number of in-house and external knowledge events organized by IOE	2	5			
		7. Number of page views for IOE reports	37 822	55 000			
		8. Number of people receiving IOE newsletters	2 403	2 500			
		DMR 7: ECD in partner countries	9. Number of ECD seminars/workshops organized in partner countries	1		1	IOE records
			10. Number of events attended by IOE staff related to self-evaluation and ECD	6		3	
		<b>SO1 and SO2</b>	DMR 8: Efficiency of the independent evaluation function and liaison with governing bodies are ensured	11. Budget cap		0.54% of IFAD PoLG	< 0.9% of IFAD PoLG
12. Ratio of Professional to General Service staff	1:0.46			1:0.46			
13. Budget execution rate at year-end	83.3%			97% <sup>31</sup>			
14. Execution rate of key evaluation activities	70%			95%			

Note: Based on IOE's 2016-2018 Results Management Framework, the following reporting matrix provides an overview of IOE achievements as of June 2019 against key performance indicators as agreed upon with the Executive Board.

<sup>26</sup> As of September 2020.

<sup>27</sup> PRISMA 2020.

<sup>28</sup> GIS and remote missions through phone interviews.

<sup>29</sup> In light of the outbreak of COVID-19, extended field visits are not possible for most of the evaluations. Thus, quantitative methods of data collection such as surveys are not possible. The IE scheduled to start in 2020 has been cancelled. However, data collection for the IE in Ethiopia was completed before the travel restrictions were put in place.

<sup>30</sup> Remote CSPE national workshops took place in Madagascar and Sudan. A national workshop for Ecuador was held in February 2020 in Quito.

<sup>31</sup> This is the target set by IOE in 2019 for its 2020 budget. However, it is unlikely that it will be met in light of COVID-19 related disruptions. This is reflected in table 1 where it is indicated that, in the absence of mission travel, budget utilization is expected to be 90.3 per cent in 2020.

## IOE proposed evaluation activities for 2021

Table 1  
Proposed IOE work programme for 2021 by type of activity

<i>Type of work</i>	<i>Proposed activities for 2021</i>	<i>Start date</i>	<i>Expected finish date</i>
1. CLEs	Joint CLE with the evaluation offices of WFP and FAO on collaboration among RBAs	June-20	Dec-21
	Progress of IFAD's decentralization reform	June-21	Dec-22
2. TE	IFAD's contribution to smallholder adaptation to climate change	Jan-20	June-21
3. SREs	Small countries with situations of fragility in West Africa	Jan-21	March-22
	Burundi	May-20	May-21
4. CSPEs	Pakistan	May-20	May-21
	Bolivia (Plurinational State of)	Sep-21	Sep-22
	Eswatini	Jan-21	Dec-21
	Indonesia	Jan-21	Dec-21
	Malawi	May-21	May-22
	Uzbekistan	Jan-21	Dec-21
	5. PCRVs	Validation of all PCRs available in the year	Jan-21
6. ESRs	Government performance	June-21	June-22
7. PPEs	Four PPEs	Jan-21	Dec-21
8. PCEs	Rural enterprise development projects	Jan-21	Dec-21
9. Engagement with governing bodies	Review of implementation of IOE's results-based work programme and budget for 2021 and preparation of results-based work programme and budget for 2022 and indicative plan for 2023-2024	Jan-21	Dec-21
	19 <sup>th</sup> ARRI	Jan-21	Sept-21
	IOE comments on the PRISMA	Jan-21	Sept-21
	IOE comments on the Report on IFAD's Development Effectiveness (RIDE)	Jan-21	Sept-21
	IOE comments on policies and strategies by IFAD Management	Jan-21	Dec-21
	Participation in Evaluation Committee, Executive Board and Governing Council sessions, selected Audit Committee meetings and the 2021 Board country visit	Jan-21	Dec-21
	IOE comments on COSOPs when related CSPEs are available	Jan-21	Dec-21

<i>Type of work</i>	<i>Proposed activities for 2021</i>	<i>Start date</i>	<i>Expected finish date</i>
10. Communication and knowledge management activities	Evaluation reports, <i>Profiles, Insights</i> , website, etc.	Jan-21	Dec-21
	Organization of in-country CSPE learning workshops and learning events in IFAD	Jan-21	Dec-21
	Participation and knowledge-sharing through selected external platforms such as learning events and meetings of evaluation groups	Jan-21	Dec-21
	Attendance at all Operational Strategy and Policy Guidance Committee meetings that discuss corporate policies, strategies, COSOPs and selected projects recently evaluated by IOE. Attendance at meetings of Operations Management Committee and IFAD Management Team	Jan-21	Dec-21
11. Partnerships	ECG, UNEG	Jan-21	Dec-21
	Contribution as external peer reviewer to evaluations by other multilateral and bilateral organizations as requested	Jan-21	Dec-21
12. Methodology	Drafting of new evaluation manual	Jan-21	March-22
13. Strategy	IOE multi-year strategy	Dec-20	Sept-21
14. ECD	Engagement in ECD in the context of regular evaluation processes	Jan-21	Dec-21
	Organization of workshops in partner countries (as per request) on evaluation methodologies and processes	Jan-21	Dec-21

## IOE indicative plan for 2022-2023

Table 1  
IOE indicative plan for 2022-2023 by type of activity\*

Type of work	Indicative plan for 2022-2023	Year
1. CLEs	Follow-up on IFAD's decentralization reform	2022 (carry-over)
	Follow-up on IFAD's efficiency evaluation	2023
2. TE	Gender equality	2022
	Options: (i) Nutrition and food security in IFAD operations; or (ii) IFAD's support to the private sector and non-sovereign operations; or (iii) IFAD's partnership and international visibility	2023
3. SRE	SRE in Near East, North Africa and Europe Division	2023
	Bolivia (Plurinational State of) (carry-over)	2022
4. CSPEs	Malawi (carry-over)	2022
	Benin	2022
	India	2022
	Kyrgyzstan	2022
	Djibouti	2023
	Rwanda	2023
	Viet Nam	2023
	Zambia	2023
5. ESRs/Synthesis note	Government performance (carry-over)	2022
	Rural Stimulus Facility /COVID-19 response	2022
6. PCEs	Rural finance projects	2022-2023
7. PCRVs	Validate all PCRs available in the year	2022-2023
8. PPE	About 4-5 PPEs per year	2022-2023

<i>Type of work</i>	<i>Indicative plan for 2022-2023</i>	<i>Year</i>
9. Engagement with governing bodies	20 <sup>th</sup> and 21 <sup>st</sup> ARRIs	2022-2023
	Review of implementation of results-based work programme and budget for and preparation of results-based work programme and budget for 2022, and indicative plan for 2023-2024	2022-2023
	IOE comments on the PRISMA	2022-2023
	IOE comments on the RIDE	2022-2023
	IOE comments on selected IFAD operational policies, strategies and processes prepared by IFAD Management for consideration by the Evaluation Committee	2022-2023
	Participation in all sessions of Evaluation Committee, Executive Board and Governing Council, and the annual country visit of the Board	2022-2023
	IOE comments on COSOPs when related country programme evaluations/CSPEs are available	2022-2023
10. Communication and knowledge management activities	Evaluation reports, <i>Profiles</i> , <i>Insights</i> , website, etc.	2022-2023
	Attend all Operational Strategy and Policy Guidance Committee meetings that discuss corporate policies and strategies, COSOPs and selected projects evaluated by IOE; attend meetings of Operations Management Committee, IFAD Management Team and selected country programme management teams	2022-2023
11. Partnership	ECG, UNEG	2022-2023
	Implement joint statement by FAO, IFAD and WFP to strengthen collaboration in evaluation	2022-2023
	Contribute as external peer reviewer to key evaluations by other multilateral and bilateral organizations as requested	2022-2023
12. ECD	Implement activities in partner countries related to ECD	2022-2023

\* The topics and number of TEs, CLEs, CSPEs, PCEs, SREs and ESRs are tentative; actual priorities and numbers of activities to be undertaken in 2022 and 2023 will be confirmed or determined in 2021 and 2022, respectively.