
IFAD's 2023 results-based programme of work, regular and capital budgets, and budget outlook for 2024–2025, and IOE's results-based work programme and budget for 2023 and indicative plan for 2024–2025, and the HIPC and PBAS progress reports

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Action: The Governing Council is invited to approve the recommendations contained in part five of this document and to adopt the draft resolution contained on page 46.

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Executive summary

1. IFAD is uniquely placed to support a reinvigorated effort to achieve the Sustainable Development Goals. Small-scale farmers in rural areas play a key role in ensuring food security. They produce half of the world's food calories, and yet rural women and men are often the first to go hungry when a crisis arrives.
2. The current global challenges, including climate change and fragility, make IFAD's work even more relevant.
3. In recent months, the costs of food, fertilizer and fuel have surged dramatically against the backdrop of converging crises. It seems inevitable that these will continue to rise, affecting food and nutrition security in all regions.
4. IFAD's ability to deliver is being tested by the crises, owing to increasing costs and market disruption. IFAD is ready to scale up its impact and maximize its contribution to tackling poverty and hunger. Doing so will require sufficient resources and adequate internal capacity.
5. Since 2018, IFAD has been implementing a change process directed towards maximizing programme delivery, consolidating financial sustainability and ensuring quality results. The Twelfth Replenishment of IFAD's Resources (IFAD12) business model was developed to this end, with objectives and commitments intended to set the organization on a trajectory to double and deepen its impact by 2030.
6. To deliver on IFAD's ambition, a recalibration of the regular budget is needed for 2023 and over the medium term. While cost reductions and prioritization have allowed IFAD to effectively respond to the increasing demands placed on it up until now, it is not possible to rely solely on efficiencies to address the current business needs in a context of rising costs.
7. The 2023 budget proposal focuses on meeting resource requirements for the second year of the IFAD12 period, while preparing for a successful replenishment.
8. The projected IFAD programme of loans and grants (PoLG) for 2023 is US\$1.5 billion, with a record number of 40 new projects and programmes and 12 additional financing proposals being prepared for approval during 2023. In addition, IFAD is continuing efforts to mobilize and manage supplementary funds, particularly for climate finance, to reach the most vulnerable rural people.
9. The budget for 2023 prioritizes country programme design, delivery and impact, with a focus on mainstreaming themes and increased presence in fragile contexts. Priority is also given to a continuing decentralization process to bring IFAD closer to the people it serves.
10. In preparing the 2023 budget proposal, Management has sought to find trade-offs to reduce the extent of the real increase in 2023 as much as possible while ensuring that IFAD12 commitments are met. The savings identified in the high-level preview have been maintained, and additional cost reduction opportunities have been found.
11. This has led to an adjusted request of 2.9 per cent real growth, compared to the proposed scenario of 3.5 per cent in the high-level preview.
12. Of the total additional requirement of US\$7.34 million, US\$6.61 million (90 per cent) will cover costs directly related to Decentralization 2.0 (D2.0), project design, supervision and technical expertise. The remaining US\$0.73 million will fund activities related to IFAD's operational efficiency and resource mobilization.
13. Under this scenario, IFAD will need to recalibrate its research activities, reduce the scope of its engagement in global forums thereby limiting its external visibility, produce fewer or shorter governing body documents in consultation with the Executive Board, and contain investments from IFAD's administrative budget in

country-level policy engagement. Management has identified five positions that can be rationalized in 2023, and is planning to further reduce costs through organizational consolidation.

14. Pending the outcome of the corporate-level evaluation on decentralization, Management proposes to revise the timing for the establishment of regional offices for the Asia and the Pacific Division (APR) and Latin America and the Caribbean Division (LAC). It is also proposed that the costs related to setting up new offices in Benin, Central Africa Republic and Togo planned for 2023 be phased, including staffing arrangements. Investments in capacity-building and upskilling related to D2.0 will need to be reduced. Nonetheless, IFAD will be able to increase its level of decentralization to having 43.3 per cent of its staff positions based in decentralized offices by the end of 2023.
15. The 2023 regular budget is proposed at US\$175.7 million, representing a 5.3 per cent nominal increase and a 2.9 per cent real increase vis-à-vis the 2022 approved budget, or US\$1.05 million above the lower scenario presented in the preview.
16. For the first time in 2023, IFAD is reporting on the distribution of its regular budget between direct (programme-related) and indirect (management) costs. More than 55 per cent of the 2023 budget has been classified as direct costs.
17. The gross budget proposal for 2023 amounts to US\$184 million compared with US\$173.7 million in 2022. Approval is being sought only for the proposed net regular budget of US\$175.7 million.
18. IFAD is expected to utilize 97.7 per cent of its 2022 regular budget. This would result in a carry-forward allocation of approximately US\$3.7 million, which is in line with the Executive Board request for IFAD to return to a carry-forward level of 3 per cent.
19. For 2023, a capital budget envelope of US\$6.5 million is proposed, to cover cyclical or business continuity capital expenditures, corporate priorities and strategic focus areas and other cross-cutting initiatives. Major areas for investment in 2023 include the establishment and enhancement of IFAD country offices (ICOs) and regional offices as part of the D2.0 plan, and the provision of a treasury management system.
20. In line with Governing Council resolution 181/XXXVII, the Executive Board will be requested to approve the appropriation for a special expenditure budget for the IFAD13 replenishment exercise. A final estimate of US\$1.17 million is proposed for this purpose.
21. For 2023, initial steps have been taken towards the adoption of an improved budget process. Early consultations took place with Member States on the medium-term budget projections¹ and, for the first time, the budget has been disaggregated by direct and indirect costs.
22. The dialogue between Management and Member States will continue to unfold in light of the vision of IFAD's new leadership, emerging IFAD13 priorities and the outcome of the corporate-level evaluation of IFAD's decentralization experience now under way. The IFAD13 Consultation will provide an opportunity to align the budget to replenishment commitments.

¹ During 2022, two papers were presented to the Executive Board containing estimates for the medium-term projections of IFAD's budget, i.e. EB 2022/135/R.4/Rev/1, Medium-term budget outlook 2023-2025, and EB 2022/136/R.3, High-level preview of IFAD's 2023 results-based programme of work, regular and capital budgets, and budget outlook for 2024-2025, and the preview of the Independent Office of Evaluation of IFAD's results-based work programme and budget for 2023 and indicative plan for 2024-2025.

IFAD's 2023 results-based programme of work, regular and capital budgets, and budget outlook for 2024-2025, and IOE's results-based work programme and budget for 2023 and indicative plan for 2024-2025

Part one – IFAD's 2023 results-based programme of work, regular and capital budgets, and 2024-2025 budget outlook

I. Introduction

1. **This document presents Management's proposal for IFAD's 2023 results-based regular and capital budgets.** Based on consultations with the Executive Board at its last three sessions and an informal seminar held on 1 November 2022, the 2023 budget includes enhancements in three categories:²
 - **Predictability and transparency.** The 2023 budget was formulated based on timely consultations with the Executive Board on a medium-term budget outlook for the period 2023 to 2025. It focuses on the major cost drivers identified through this exchange, thus providing a linkage between budget implementation in 2022, planning for 2023 and projections over the medium term. For the first time, IFAD's budget is differentiated by direct and indirect costs.³
 - **Strategy and results focus.** The estimates for IFAD's regular budget are driven by commitments along the three operational pillars of the IFAD12 business model (i.e. country programmes, financial architecture and institutional change). Where additional investment is required to achieve IFAD12 targets, Management provides options for prioritizing and sequencing the activities, while reducing costs in other areas, to ensure that the limited resources available focus on achieving maximum results.
 - **Prioritization.** The estimated budget for 2023 prioritizes country programmes, with a focus on the mainstreaming themes and fragility. Priority is also given to a continuing decentralization process to bring IFAD closer to the people it serves. Efforts have been made to contain the level of real increase as much as possible by making challenging trade-offs, reducing the scope of existing activities, and de-prioritizing and/or deferring incremental requests not directly supporting project delivery.
2. **The 2023 budget supports the ambitions set for IFAD12, while further steps are needed to align the budget with replenishment commitments under IFAD's new leadership.** The Executive Board, at its 136th session, welcomed the presentation of a medium-term outlook and the proposed initial areas for de-prioritization. In view of the need to recalibrate IFAD's budget in accordance with its strategic direction, there were calls for a structural review of IFAD's costs. Such a review includes an assessment of areas where costs could be avoided or reduced as part of IFAD's decentralization process. While initial steps have been taken to ensure that IFAD's limited resources focus on achieving maximum impact, further analysis and dialogue are required. Management is currently conducting a review of IFAD's budget process and will endeavour to

² EB 2022/135/R.4/Rev.1 refers to these three categories to describe the areas of improvement for IFAD's budget process.

³ EB 2021/134/R.7 defines direct costs as those that are directly linked and traceable to a programme or project and to benefits derived by programme or project beneficiaries. Indirect costs are not directly linked or traceable to programmes or projects, but considered necessary to run an organization, and maintain and improve organizational structure.

continue the dialogue with Member States over the coming months, taking into account the vision of IFAD's new leadership, emerging IFAD13 priorities and the outcome of the corporate-level evaluation of IFAD's decentralization experience now under way.

3. **The document is organized as follows:** Section II introduces the global context and provides an overview of 2022 budget implementation. Section III introduces the 2023 programme of work. Section IV presents the proposal for IFAD's 2023 net regular budget. Section V introduces the capital budget. Section VI provides way forward. The document concludes with a proposal for the IFAD13 special expenditure budget.

II. Context

4. **In recent years, economic slowdowns, conflicts and climate-related shocks have set back the work to end poverty and hunger by 2030.** The State of Food Security and Nutrition in the World 2022 report estimates that up to 828 million people were affected by hunger in 2021 – 150 million more since the outbreak of the COVID-19 pandemic. Rising levels of food insecurity are being exacerbated by conflicts, climate change and the continued impact of COVID-19. These trends coincide with existing structural challenges, inflationary pressures and rising global debt levels, with 60 per cent of the world's poorest countries currently in debt distress or at high risk of it. Together, these factors are undoing decades of development gains and risk pushing millions of vulnerable people deeper into poverty and hunger. These circumstances have required IFAD to expand and enhance its programmatic and financial offer to better respond to the increasing and more complex needs of borrowing countries. At the same time, the demand for IFAD to actively engage in global processes and coordination efforts has increased.
5. **Since 2018, IFAD has been implementing a change process directed towards maximizing programme delivery, consolidating financial sustainability and ensuring quality results⁴.** This has involved, among other things, the consolidation of financial reforms to continue strengthening IFAD's financial architecture and maximize financing to all clients; increasing and strengthening IFAD's country presence; and a stronger focus on transformational impact with significant increases in targets for all mainstreaming areas (i.e. gender, environment and climate, nutrition and youth).
6. **These reforms are paving the way for IFAD to achieve ambitious commitments in IFAD12.** The IFAD12 business model proposed "to deliver a more comprehensive financial, policy-oriented and programmatic package that works in a synergistic manner to foster systemic change"⁵ to allow IFAD to double and deepen its impact by 2030.
7. **So far, IFAD has been effectively delivering on a growing and more complex portfolio under a limited real-growth budget.** From 2016 to 2021, the size of IFAD's active portfolio increased 22 per cent from US\$7.05 billion in 2016 to US\$8.6 billion in 2022.⁶ In addition, the share of the active project portfolio in fragile and conflict situations rose from 18.6 per cent in 2016 to 27.3 per cent in 2022, which is expected to translate into higher costs. Similarly, regional operations, climate finance and the scope of programmatic delivery have posted steady growth. These require more careful monitoring, additional technical support,

⁴ For additional details of recent reforms, see the high-level preview of IFAD's 2023 budget (EB 2022/136/R.3).

⁵ GC 44/L.6/Rev.1.

⁶ Active portfolio comprises projects (IFAD financing only) that have entered into force and are under implementation. For the remainder of 2022 until 2024 the definition of active portfolio includes projects that are expected to be approved and start disbursing, and excludes projects that are expected to close. For 2025, the numbers are based on expected financial envelopes for year 1 of IFAD13. The data source is GRIPS. PoLG commitment figures include funds cancelled and recommitted from previous cycles.

country-specific advice as well as adaptive management overall, adding complexity to IFAD's operations.

8. **Until now, efficiency gains, costs savings and prioritization have allowed IFAD to effectively respond to higher demands and the increasing cost of doing business.** IFAD's Operational Excellence reform initiative (2017-2018) focused on increasing IFAD's impact on the ground, while ensuring a strong centre equipped to strengthen knowledge connectivity, and provide strategic guidance and appropriate monitoring mechanisms. This focus resulted in additional resources being channelled into strengthening certain areas in the organization which were offset by identifying savings and efficiencies in other areas. To support changes in IFAD's financial architecture, IFAD developed new policies and frameworks,⁷ established the Office of Enterprise Risk Management (RMO), strengthened the Office of the General Counsel (LEG) and obtained a credit rating for a total recurring annual cost of US\$2.3 million.⁸ IFAD also recently established a project procurement function at a cost of US\$1.3 million. These increases, along with other increases in compliance functions, were all absorbed with minimal increases to IFAD's regular budget.
9. **These mechanisms have already reached their limits and it is not possible to rely on them to address the current business needs and increasing costs.** As noted in the statement by the IFAD Staff Association to the Executive Board at its 135th session, "the steady expansion of IFAD's commitments and reforms without adequate resources and staffing has resulted in an often unmanageable increase of staff workload."⁹ Between IFAD10 and IFAD11, average project design and supervision costs were reduced by 22 per cent and 14 per cent, respectively, while greater demands were placed on the project teams.
10. **In 2022, for the first time since 2018, the regular budget increased in real terms allowing IFAD to start addressing gaps and consolidate reforms.** This increase was used to advance in two main areas:
 - (a) **Decentralization 2.0:** D2.0 aims to transform the way IFAD operates by increasing and expanding country presence to bring IFAD closer to the clients and rural communities it serves. The principle of proximity is at the heart of the IFAD12 business model, which calls for a further decentralization of staff from 32 to 45 per cent. The 2022 regular budget earmarked an initial investment for D2.0. This has allowed important progress to be made, while continuing support to programme delivery and other business processes within IFAD.

Highlights of progress made are as follows:

 - Two operational regional offices in sub-Saharan Africa were established.
 - Of the four ICOs for which upgrades started in 2021, the offices in Fiji and Niger have been completed, and further office enhancements are still ongoing or foreseen in 2023 in Haiti (if conditions allow given the country's serious security situation) and in Nepal.
 - Of the five new offices planned for opening in 2022, Liberia, Malawi and South Sudan are currently ready to host new staff; in Uzbekistan, following the recent signature of the host country agreement, temporary arrangements have been identified and will be in place by year-end; and

⁷ The Capital Adequacy Policy (EB 2019/128/R.43), Borrowed Resource Access Mechanism (EB 2021/132/R.9/Rev.1), Enterprise Risk Management Policy (EB 2021/133/R.7), Integrated Borrowing Framework (EB 2020/131(R)/R.21/Rev.1), Liquidity Policy (EB 2020/131(R)/R.20/Rev.1), RMO Charter (PB 2021/07), technical risk committees (PB 2021/06), Risk Appetite Statement (EB 2021/134/R.21/Rev.1), Corporate Risk Dashboard.

⁸ The number is based on the additional costs to establish RMO, strengthen LEG and cover the annual recurring credit rating costs of approximately US\$436,000.

⁹ Statement of the IFAD Staff Association to the Executive Board, 25 April 2022.

Chad is pending finalization of the host country agreement, which has delayed office set-up until 2023.

- Five ICOs (Angola, Madagascar, Mozambique, Rwanda and Uganda) were upgraded, with the Angola host country agreement pending ratification; the upgrade of two ICOs (Burkina Faso and Mali) is ongoing and will be finalized in 2023.
- A total of 24 new D2.0 staff positions were funded in 2022 and are under recruitment. This includes 17 administrative positions for regional offices and ICOs. To oversee the newly established administrative pool for the regional offices, two new corporate services manager positions were created for the East and Southern Africa (ESA) and West and Central Africa (WCA) regions, with strong links to headquarters.
- The D2.0 upskilling programme was used to train new and existing field staff, equipping them with the skills necessary to perform their duties in a more decentralized IFAD.
- Setting up and upgrading ICOs included activities related not only to office enhancements, but also to staff recruitment and relocation aligned to the staffing metrics.

It is important to note that a majority of D2.0 ICOs have been opened within United Nations common premises, resulting in lower set-up costs (approximately 30 per cent less than initial estimates, which included the cost of several stand-alone offices).

- (b) **Building capacity.** The Human Resources Study outlined the human capital requirements to deliver IFAD's current and future programme of work, considering fundamental internal and external changes and trends affecting the organization.

The 2022 regular budget was used to increase capacity in critical functions to support the new business model. This has included the creation of new positions in operations management, audit and legal affairs, and risk management, in addition to technical specialists. The funding and recruitment of new positions was carefully planned and prioritized during 2022, based on organizational needs.

Complementing these efforts, progress has been made under the People stream of the People, Processes and Technology Plan (PPTP) (EB 2020/129/R.3/Rev.2), to improve IFAD performance management policy, procedures and systems and conduct a formal review of all job profiles to ensure their appropriate classification.

Nonetheless, the 2022 Global Staff Survey shows that workload continues to be a challenge for most IFAD staff. As a result, in 2023 priority must be given to filling existing positions while addressing any remaining gaps.

11. Moving forward, to effectively deliver on IFAD12 commitments, set the organization on a trajectory to double its impact by 2030, particularly given the interlinked food, energy and finance crises, and continue consolidating the reform agenda, a recalibrated IFAD regular budget is needed for 2023 and for the medium term.

A. Update on the 2022 programme of loans and grants Projected delivery for 2022

12. By the end of 2022, 16 new projects/programmes and 22 additional financing proposals are expected to have been approved for a total of US\$976 million. The large number of additional financing proposals speak to the Fund's focus and agility in resource utilization, implementing its [Policy on Project Restructuring](#) by repurposing funds for well-performing operations; and efficiency in designing

operations over more than one cycle of the performance-based allocation system (PBAS), particularly for countries with small allocations.

Portfolio

13. As at 25 August 2022, there were 201 operations under implementation for a value of US\$8 billion. The active grant portfolio comprises 85 grants valued at US\$145 million.
14. The high-level distribution of the current portfolio by sector is as follows:

Table 1

High-level distribution of the current portfolio by macro area

<i>Macro area</i>	<i>Percentage</i>
Access to markets	29
Production sectors	26
Policy and institutions	15
Programme management	14
Inclusive rural finance	10
Environment and natural resources	4
Social services	2
Total	100

B. 2022 budget utilization and carry-forward

2022 actual utilization

15. Actual expenditures against the 2021 regular budget amounted to US\$151.95 million or 95.3 per cent of the approved budget of US\$159.54 million. In 2021 and despite the continuing impact of the pandemic on IFAD's operations, the organization was able to adapt and respond with flexible solutions to ensure completion of the programme of work (PoW) for the IFAD11 period. The gap in budget utilization was mainly due to reduced travel and training, and a slower pace of recruitment, caused by restrictions associated with COVID-19.

Table 2

Regular budget utilization – actual 2020-2021 and forecast 2022

(Millions of United States dollars)

	<i>2020 full year</i>		<i>2021 full year</i>		<i>2022 forecast</i>	
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Forecast</i>
Regular budget	157.9	142.7	159.5	152.0	166.9	163.2
Percentage utilization		90.4		95.3		97.7

2022 forecast

16. In 2022, budget utilization is projected to reach around US\$163.2 million, or pre-pandemic levels of 97.7 per cent compared to the 97 per cent estimate in the high-level budget preview (see table 2). This would result in a carry-forward allocation of approximately US\$3.7 million, which is in line with the Executive Board request for IFAD to return to a carry-forward level of 3 per cent.
17. The slightly higher projection is based on the latest actual budget utilization as of end-September 2022 and factors in the increased costs incurred for the Special Session of the Governing Council held in July and preparatory activities for the IFAD13 Consultation, together with the uptick in inflation rates and prices for goods and services.
18. These increases were offset in part by the average impact of the euro-United States dollar exchange rate, which has ranged from 0.876:1 to 0.997:1 during the course of the year (vis-à-vis the 0.835:1 exchange rate used for the 2022 budget). However, the current level of uncertainty makes precise estimates difficult at this point and any projection should be seen as a close approximation.

19. Table 3 shows both 2021 actual expenses and the 2022 forecast broken down by department.
20. The higher utilization compared to 2021 arises largely from IFAD's ability to boost programme delivery after the adverse effects of COVID-19 pandemic and to continue with the decentralization process, focusing on the three operational pillars of the IFAD12 business model (country programmes, financial architecture and institutional changes). Some of the D2.0 costs originally budgeted under the Programme Management Department (PMD) envelope and corporate cost centre envelope have been subsequently operationalized under the Corporate Services Department (CSD). This has resulted in an execution rate for CSD of above 100 per cent (and in PMD of 92.75 per cent) due to the non-realignment of departmental budget envelopes.¹⁰
21. For the 2023 budget proposal, Management is requesting authority to use savings of up to a maximum of 3 per cent, as per past practice, to fund transformational strategic initiatives and meet emerging priorities from planned operations and activities.

Table 3

Regular budget usage by department, 2021 actual, 2022 budget and 2022 forecast
(Millions of United States dollars)

<i>Department</i>	<i>Actual 2021</i>	<i>Budget 2022</i>	<i>Forecast 2022</i>	<i>Percentage forecast 2022 vs. budget 2022</i>
Office of the President and Vice-President (OPV)	2.41	2.79	2.75	98.59
Corporate Services Support Group (CSSG)	10.72	11.7	11.30	96.57
External Relations and Governance Department (ERG)	16.37	17.9	17.18	95.99
Strategy and Knowledge Department (SKD)	14.33	19.59	17.51	89.39
Programme Management Department (PMD)	51.72	61.58	57.11	92.75
Financial Operations Department (FOD)	11.29	13.25	12.24	92.40
Corporate Services Department (CSD)	32.97	30.34	34.72	114.43
Corporate cost centre (CORP)	12.15	9.78	10.34	105.72
Total	151.95	166.93	163.15	97.74

2022 carry-forward allocation and actual utilization

22. 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.
23. For 2022, the Governing Council agreed that unobligated appropriations at the close of the 2021 financial year be carried forward into the 2022 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 and enhanced IFAD's ability to swiftly and effectively respond to changing demands.
24. As the actual budget utilization for 2021 amounted to 95.3 per cent, the carry-forward available was US\$7.46 million or 4.68 per cent of the total 2021 approved budget, less than the approved ceiling of 5 per cent. According to projections, the full available carry-forward amount will have been utilized by year-end. Any unallocated and unused balance of the 2021 carry-forward will revert back to IFAD's regular resource pool.
25. Regarding the carry-forward utilization in 2022, the main cost drivers are: (i) field support, recruitment and relocation linked to decentralization; (ii) election and appointment of the President of IFAD; (iii) engagement and participation in

¹⁰ Projected execution with realignment of departmental envelopes is approximately 97 per cent for PMD and 101 per cent for CSD.

high-level global events; (iv) supplemental funding for innovation challenge initiatives; (v) process redesign in areas such as budgeting, and engagement on risk and legal related technical topics; (vi) PMD global staff induction, team building and engagement; and (vii) ESA and WCA ICO costs linked to the decentralized structure.

III. 2023 programme of work

26. At present, a record number of 40 new projects and programmes and 12 additional financing proposals are being prepared for approval during 2023 (including to fill financing gaps for the Fund's first two regional operations) (see annex I) for a total of US\$1.5 billion. Financing of the 2023 PoLG is expected to comprise 61 per cent from the PBAS and 39 per cent from countries availing themselves of the Borrowed Resource Mechanism (BRAM), representing a significant increase in the pace of uptake. Confirmation of resource availability from IFAD's regular resources for this level of delivery is aligned with the Resources Available for Commitment and country eligibility to access the BRAM as established by RMO.
27. In addition, IFAD will continue its efforts to mobilize and manage supplementary funds, particularly from climate financing, to support ongoing and stand-alone operations.
28. The estimated number of global, regional and other grants in 2023 is 35.

Table 4

Actual and projected PoLG (Millions of United States dollars)

	<i>Actual^a</i>				<i>Forecast^b</i>	<i>Planned</i>
	2018	2019	2020	2021	2022	2023
IFAD loans (including loan component grants) and Debt Sustainability Framework grants	1 107	1 635	783	1 027	976	1 513
IFAD grants ^c	52	25	30	15	4.5	35
Rural Poor Stimulus Facility ^c	-	-	40	-	-	-
Non-sovereign operations	-	-	25	-	-	-
IFAD Climate Facility	-	-	-	10	-	-
Total IFAD PoLG	1 159	1 660	878	1 052	981	1 548
Other funds under IFAD management ^d	176	262	98	286	390	109
Total PoLG	1 335	1 922	976	1 338	1 371	1 657
Cofinancing, international (net of IFAD-managed cofinancing) and domestic	1 098	3 231	1 054	2 077	989	2 520
Total PoW	2 433	5 153	2 030	3 415	2 360	4 177
Portfolio under implementation^e	6 846	7 051	8 608	7 727	8 640	9 220

^a Source: Grants and Investment Projects System as at 25 August 2022. Current amounts reflect any increase (decrease) in financing during implementation, including additional domestic and international cofinancing.

^b Other funds managed by IFAD, including under the Adaptation for Smallholder Agriculture Programme (ASAP), Global Environment Facility, Least Developed Countries Fund, Global Agriculture and Food Security Programme, European Commission and European Union, and the Green Climate Fund (GCF), in addition to bilateral supplementary and complementary grants. Actual numbers recalibrated following system alignment.

^c Includes US\$1.2 million from the Regular Grants envelope earmarked for the Climate Finance Design Gap 2021, to cover GCF design costs and US\$2.0 million utilized to fund the multi-donor African Agricultural Transformation Initiative Trust Fund.

^d Including under the ASAP, the Spanish Trust Fund, Global Environment Facility Least Developed Countries Fund, Global Agriculture and Food Security Program, European Commission and European Union, and GCF, in addition to bilateral supplementary and complementary grants.

^e 2022 and 2023 projected figures are based on data available as of mid-September 2022 on the assumption that all concerned projects are approved, enter into force and are completed as currently planned.

IV. 2023 IFAD's regular budget

A. Prioritization and trade-offs

29. The estimated budget for 2023 prioritizes country programmes, with a focus on the mainstreaming themes and fragility. Priority is also given to a continuing decentralization process to bring IFAD closer to the people it serves, while continuing to leverage partnerships, including South-South and Triangular Cooperation (SSTC), for maximum impact.
30. After two years of remote design and supervision, IFAD is expected to deliver an expanded PoLG of US\$1.5 billion in 2023, with additional demand for targeting, implementation of the Social, Environmental and Climate Assessment Procedures (SECAP), fiduciary oversight, fragility assessments and mainstreaming themes. With over 220 ongoing projects in 2023, IFAD also needs to prioritize stronger project monitoring and supervision, taking into account lessons learned from recent poorly performing projects.¹¹
31. Moreover, in 2023, IFAD's increasing country presence will enable more robust designs and timely implementation support to IFAD-financed projects. Complementing these efforts is the mainstreaming of enhanced loan disbursement and project procurement processes, both critical aspects of effective management of PoLG resources.¹² SSTC and other non-lending activities will continue to be integrated into the design and implementation of both country strategic opportunities programmes (COSOPs) and projects to facilitate knowledge-sharing, promote innovations and strengthen policy coordination.¹³
32. Following the high-level preview, IFAD Management has further refined its estimates for the 2023 regular budget based on the detailed submissions of IFAD departments and a further assessment of priorities. It has sought to find additional savings and efficiencies, while ensuring support for IFAD12 commitments.
33. This has led to an adjusted request of 2.9 per cent real growth with respect to the proposed scenario of 3.5 per cent in the high-level preview.
34. The cost reductions and prioritization that have led to the revised proposal are as follows:
 - (a) Management will maintain the cost reductions outlined in the high-level preview,¹⁴ namely, IFAD will recalibrate its research activities, including revising the scope and model for the Rural Development Report and IFAD's research series. In consultation with the Executive Board, there will be an effort to reduce the number and volume of documents presented to governing bodies.
 - (b) Management proposes a reduction in country allocations for policy engagement related activities, while ensuring minimum support to all country programmes and using COSOPs as critical entry points for alignment with government plans. Increased country presence through decentralization is expected to have a positive impact on policy engagement at the country level.
 - (c) IFAD will be more selective in its participation in global policy forums and partnerships, scale back on advocacy and visibility, and play a reduced role in

¹¹ RIDE 2021 (EB/2021/133-R.9) describes IFAD's increased proactive portfolio management to address key factors for low performance, including poor uptake of M&E results and weak management and supervision capacity.

¹² See reference in progress report submitted to the 137th session of the Executive Board on the 'People, Processes and Technology Plan'.

¹³ EB SSTC Progress Report submitted to the 137th session of the Executive Board provides an overview of progress in implementing the new SSTC Strategy. Examples of progress during 2021-2022 include: all 13 new COSOPs during 2021-2022 included a comprehensive approach to SSTC, exceeding the RMF target of 66 percent; 30 ongoing IFAD country projects with SSTC components or activities to facilitate knowledge-sharing, promote innovations and to strengthen policy coordination.

¹⁴ The saving associated to hosting biennial virtual Governing Council sessions is not included as it will materialize in 2024, when IFAD is expected to host its annual session virtually, in consultation with Member States.

multilateral and inter-agency collaboration, including with the Rome-based agencies. The trade-off associated with this lower level of engagement and reduced visibility is the risk that, in a replenishment year, IFAD is not strongly enough positioned in a highly competitive environment, and may miss out on opportunities to amplify voices of rural people, collaborate and mobilize resources.

- (d) Five vacant positions have been identified for rationalization in 2023. This includes two positions in ICOs that are no longer required as a result of the decentralization process, and positions covering risk management and administrative liaison functions. Management will seek additional organizational streamlining possibilities during 2023.
 - (e) Pending the outcome of the corporate-level evaluation on decentralization, Management proposes revising the timing of the establishment of the APR and LAC regional offices. It also proposes phasing the costs related to setting up new offices in Benin, Central African Republic and Togo planned for 2023, including staffing arrangements. Investments in capacity-building and upskilling related to D2.0 will need to be reduced. Nonetheless, IFAD will be able to increase the proportion of decentralized staff positions to 43.3 per cent by the end of 2023.
 - (f) Regarding the strengthening of IFAD's financial architecture, and its external engagement and visibility activities, particularly to support resource mobilization with a diversified range of partners, Management has reduced its previous request to a minimum level of one position.
35. As a result of this prioritization exercise, with a 2.9 per cent real increase in IFAD's budget, it will be possible to invest US\$7.34 million in the following priority areas:
- (a) **Decentralization 2.0 (US\$3.12 million).** While deferring the establishment of the APR and LAC regional offices and phasing support for new offices in Benin, Central African Republic and Togo, IFAD will continue with the establishment and upgrading of offices and the relocation of staff. In 2023, it is expected that IFAD will extend the level of decentralization to 43.3 per cent of IFAD staff positions based in decentralized offices compared to 40.7 per cent at year-end in 2022.
 - (b) **Programme delivery (US\$3.49 million).** IFAD will allocate US\$3.49 million of additional budget to project design, supervision and implementation support in 2023. This will help address the gaps faced in operating effectively in fragile situations;¹⁵ integrate all mainstreaming themes into project design; and proactively manage portfolios, with a focus on monitoring and evaluation (M&E) and fiduciary issues, and on projects classified by SECAP as having high or substantial risk. Additionally, to support further assessment of climate risk, and the integration of both information and communications technologies for development (ICT4D) and rural infrastructure into IFAD-funded projects, a technical specialist will be hired in each of these three areas.
 - (c) **Supporting financial architecture, external engagement and visibility, and institutional change (US\$0.73 million).** This will include the costs of creating one partnership position to increase engagement with diversified

¹⁵ IFAD's analysis indicates that setting up an office in a country with a conflict-affected situation (CAS) is 25 per cent more costly than a non-CAS equivalent, and for countries with high-intensity conflict, this cost differential goes up to more than 100 per cent. The basic minimum requirement for fielding missions, ensuring the required expertise and security precautions for mission members, is expected to lead to incremental costs of approximately 50 per cent, above the baseline costs for design and supervision.

partners and mainstreaming two institutional enhancements from the PPTP¹⁶ into IFAD's regular budget.

36. As part of IFAD's contribution to the United Nations reform,¹⁷ IFAD will continue to seek efficiencies and cost-savings through shared business operations with other United Nations entities, including the Rome-based agencies. In 2022, the majority of the new ICOs opened were located on United Nations common premises, resulting in lower set-up costs. Efforts will continue in 2023 to leverage United Nations common premises and shared services, especially with regard to decentralized offices.
37. Table 5 provides an overview of the additional features proposed for funding under a 2.9 per cent real-growth scenario.

Table 5

Prioritized needs

(Millions of United States dollars)

<i>IFAD12 pillar</i>	<i>Cost item</i>	<i>2023 estimated</i>	<i>2023 funded</i>	<i>Difference (estimated vs funded)</i>
Country programmes	D2.0	5.8	3.12	(2.68)
	Design	1.42	1.42	-
	Supervision	1.54	1.54	-
	Technical expertise	0.53	0.53	-
Country programmes, subtotal		9.29	6.61	(2.68)
Financial architecture	Broadening of IFAD funding sources	0.67	0.13	(0.53)
Financial architecture, subtotal		0.67	0.13	(0.53)
Institutional change	Mainstreaming of PPTP enhancements	0.6	0.6	-
Institutional change, subtotal		0.6	0.6	-
Total		10.56	7.34	(3.22)

38. Based on the current status of recruitment planning, it is proposed that available resources from IFAD's vacancy pool be used in 2023 to enable the Human Resources Division (HRD) to finalize recruitment of vacant positions within a shorter timeframe until the vacancy rate has normalized. Additionally, Management proposes to utilize the vacancy pool to resource the portion of the 2023 priority requirements that could not be funded within the regular budget.

B. Budget parameters and assumptions

Exchange rate and inflation rate

39. Using the agreed foreign exchange rate calculation methodology,¹⁸ the exchange rate for 2023 is EUR 0.923:US\$1, compared to last year's exchange rate of EUR 0.835:US\$1, also used in the high-level preview. This strengthening of the United States dollar against the euro has had a significant impact on the 2023 budget proposal, primarily by lowering the cost of euro components of staff salaries and allowances, and other euro-denominated expenditures. This has been factored into standard staff costs.
40. The inflation adjustment for the 2023 budget is based on the agreed methodology, using specific inflation numbers for several line items and a weighted average of the world and Italian consumer price indexes for all other costs.

¹⁶ Namely, the rolling out of the new end-to-end project procurement system, i.e. a smart tool to support project management units in planning and managing procurement activities, and the systems upgrades related to improvements in IFAD's loan disbursement process.

¹⁷ See the progress report submitted to the 137th session: Update on IFAD's engagement in the implementation of the United Nations reforms and IFAD's response to the United Nations General Assembly's adoption of the Quadrennial Comprehensive Policy Review.

¹⁸ AC 2015/136/R.6, Methodology for calculating foreign exchange and inflation assumptions in annual budgets

41. A detailed review was performed of the actual consultancy and travel costs incurred between 2021 and 2022 to determine the inflationary components of such drivers.
- For consultancies there has been an increase in average contract value of approximately 3.3 per cent, resulting from higher average daily fees. This percentage has been used as an inflation adjustment for consultancy costs.
 - Regarding travel costs, an extensive analysis has been conducted by the travel management company on travel industry prices and trends. The main findings of that analysis were that in 2022, globally, market rates have risen by approximately 19.3 per cent over 2019, with tight airline capacity that is not expected to return to normal levels until 2023. A further increase of 4.5 per cent is expected in ticket prices for 2023, and this value has been retained as an inflation adjustment for the travel cost component in the 2023 budget.
 - Regarding IT-related costs and other costs, and as per the approved methodology, the average of the world consumer price index published by the International Monetary Fund and the Italian consumer price index published by the Italian National Institute of Statistics has been applied, leading to a weighted inflation adjustment of 7.9 per cent for these cost components.
42. Staff costs for the 2023 budget are based on the revision of standard staff costs.
43. As in previous years, standard staff costs were developed separately for each grade level, adjusted for the weighted distribution by salary step based on an analysis of statistical data of the actual IFAD staff population. An in-depth 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 and salary scales, and analysing the trend in post adjustments and exchange rates applicable to IFAD staff based in all duty stations. 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 (WIGSI) and the EUR:US\$ exchange rate.
44. The standard costs for 2023 incorporate the following:
- Average post adjustment variation including multipliers applicable to all locations where IFAD has staff (impact on standard costs – significant decrease);
 - WIGSI (impact on standard costs for base salaries – increase);
 - Increase in pensionable remuneration for Professionals and above as normally applied by the International Civil Service Commission in February (impact on standard costs – slight increase);
 - Increase in General Service secondary scale applied in April every year (impact on standard costs – minor increase);
 - Salary scales and exchange rate variation applicable to field-based General Service and National Professional staff (impact on standard costs – slight decrease); and
 - Exchange rate of EUR 0.923:US\$1 for 2023 (impact on standard costs – material decrease, especially for General Service staff at headquarters).
45. While the application of the revised standard costs to the 2023 baseline staff envelope (i.e. 2022 approved staff workforce calculated at 2023 standard costs) has resulted in a material reduction in staff costs, this has been almost fully absorbed by 2023 staff costs as follows:

- Full funding from 1 January to 31 December 2023 of new 2022 positions for which funding and recruitment was gradually phased in during the third and fourth quarters due to careful planning and prioritization in accordance with operational and organizational needs; and
 - Higher graded existing positions as a result of the continuing job audit exercise and Management-driven promotions approved in 2022.
46. The net effect of the revised standard costs as outlined above results in a net decrease in the staff costs envelope of approximately 0.6 per cent. This value has been applied as the price adjustment to the staff cost component for the 2023 proposed budget.
47. The overall compound inflation rate applied to the 2023 IFAD administrative budget is 2.33 per cent.

C. Staff budget

48. During this year's budgeting exercise, IFAD has assessed staffing requirements based on the agreed priorities and affordability criteria while also assessing functional and structural alignments using the dynamic workforce planning approach. The proposed regular budget staffing level for 2023 is 806 full-time equivalents (FTEs), which corresponds to a net increase of 57.5 FTEs compared to 2022.¹⁹ The increase is the net effect of 22 new staff positions, plus a further 39 new staff positions to regularize staff under United Nations Development Programme (UNDP) contract modalities, 1.5 FTEs changes for three existing part-time positions, less reductions amounting to 5 FTEs.
49. The proposed staffing complement supports the priorities of the 2023 regular budget, the majority of which are linked to Decentralization 2.0 and programme delivery. This staffing will comprise positions based in the regional offices and in newly opened country offices to ensure that programme delivery teams are strengthened. The proposed staffing includes administrative staff in the two existing regional offices for ESA and WCA. It will also include 39 positions to regularize staff formerly under UNDP contract modalities. The harmonization of the contractual modalities of locally recruited IFAD staff will give all staff equal opportunities to participate in IFAD's internal processes and training programmes.²⁰
50. The total reduction of five vacant positions is part of IFAD's drive for efficiencies and reshaping the role of headquarters vis-à-vis field offices. These positions have been proposed for rationalization by the respective departments and by IFAD Management to offset the proposed new positions in those departments.
51. Of the total 806 FTEs funded by the regular budget, an estimated 349 positions will be based in the field in 2023, compared to 111 positions outposted in 2017 before the decentralization exercise began. This will bring the total number of outposted staff positions to 43.3 per cent of total IFAD staff (compared to 39 per cent at the time of 2022 budget preparation and 40.7 per cent at year-end in 2022).
52. The number of positions chargeable to unrestricted management fees and funded from the gross budget will be 27.35 FTEs, of which one FTE is performing core functions. It is proposed that this position continues to be funded from supplementary fund management fees as it directly supports the related activities. This represents a net increase of six FTEs due to the increased amount of supplementary funds received by IFAD and related management fees. This net

¹⁹ Within the overall numbers of new staff positions, Management may make trade-offs based on prioritized needs over the course of 2023.

²⁰ The 39 new positions created in PMD across all the five regions are the result of the one-time HRD-led exercise aimed at granting fixed-term appointments to individuals on UNDP contract modalities. The majority of these positions are created to regularize drivers engaged through service contracts and some individuals engaged to perform administrative functions over the years since 2013 due to IFAD's increased decentralization efforts. The number of positions (39) could decrease if vacant regular positions, created as a result of new/upgraded ICOs for D2.0, are successfully filled by staff under UNDP contracts.

increase may change over the course of 2023 depending on the additional supplementary funds IFAD may receive.

D. Non-staff budget

53. Budget preparation guidelines for non-staff costs were provided in house and included budget parameters and overall non-staff cost envelopes for each department, based on the approved 2022 budget, and growth and inflation assumptions.
54. Budget submissions from departments classified costs as direct or indirect, and identified activities to be prioritized in the coming year. The Office of Strategic Budgeting worked closely with departments as they planned for 2023, seeking to identify areas requiring greater focus and investments.
55. Submissions were prepared using the same institutional output groups (IOGs) as the previous year and no new IOGs were introduced for 2023. A list of the IOGs, together with an indicative budgetary breakdown, is provided in annex II.
56. All non-staff budget submissions were reviewed in the context of corporate priorities and directions set by Management complemented by an analysis to consistently apply the inflation and price adjustments relevant to specific cost items, in particular travel and consultancies.
57. Departments were instructed to submit their requirements for incremental activities to be charged to complementary and supplementary funds management fees, for inclusion in the gross budget for 2023. The requests were analysed in collaboration with the Financial Controller's Division.
58. The 2023 budget proposal has seen approximately a 20 per cent increase in the availability of supplementary funds management fees when compared to last year's funding levels, mainly due to increased mobilization of funds from diversified supplementary sources and increased encashment of donor contributions towards these initiatives.
59. 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.

E. Net and gross regular budget proposal

Net regular budget proposal

60. The 2023 net regular budget is proposed at US\$175.71 million, representing a 5.3 per cent nominal increase over the 2022 budget of US\$166.93 million, somewhat higher than the nominal growth presented in the high-level preview under the lowest real-growth scenario of 2.5 per cent.
61. In line with the prioritization and trade-offs as outlined in section IV(A), the real increase amounts to US\$4.87 million, representing real growth of 2.9 per cent over the 2022 approved budget. There is a net price increase of approximately US\$3.88 million in respect of compound inflation rate adjustments of 2.33 per cent.

Table 6

Regular budget

(Millions of United States dollars)

<i>2022 approved budget</i>	<i>2023 real increase</i>	<i>2023 price increase</i>	<i>2023 nominal budget</i>	<i>Real growth</i>	<i>Nominal growth</i>
166.93	4.87	3.88	175.71	2.9% increase	5.3% increase

Budget proposal by department

62. The budget proposal by department is set out in table 7.

Table 7
Regular budget by department, 2022 and 2023
(Millions of United States dollars)

<i>Department</i>	<i>Approved 2022</i>	<i>Proposed 2023</i>	<i>Total change</i>	<i>Change (percentage)</i>
OPV	2.79	3.17	0.38	13%
CSSG	11.70	12.08	0.38	3%
ERG	17.90	17.94	0.04	0%
SKD	19.59	19.65	0.06	0%
PMD	61.58	63.06	1.48	2%
FOD	13.25	13.74	0.50	4%
CSD	30.34	35.73	5.39	18%
Corporate cost centre (allocable)	5.08	5.91	0.83	16%
Corporate cost centre (not allocable)	4.70	4.42	(0.28)	(6%)
Total	166.93	175.71	8.78	5.3%

63. The overall departmental budget allocations are aligned with the priorities of the 2023 regular budget:
- (a) **Decentralization 2.0**
- (i) This has affected the budget allocations (both staff and non-staff) of CSD, SKD and PMD. In particular, the transfer of administrative positions supporting decentralized offices from PMD to CSD has led to an increase in budget allocation to the latter department.
- (b) **Programme delivery**
- (i) The additional budget resources for design and supervision are mainly allocated to PMD and SKD, and partially to FOD (additional resources for travel and consultants to ensure adequate fiduciary support to programme operations). Moreover, the additional technical specialist positions for rural infrastructure and ICT4D are located in SKD. In the case of SKD, the cost of the two incremental positions have been fully absorbed within the budget envelope by lowering consultancy and travel costs related to the recalibration of research activities and global policy engagement activities.
- (c) **Supporting financial architecture, external engagement and visibility, and institutional change**
- (i) The cost of the additional position in ERG to support increased engagement with partners and resource mobilization is fully offset by the abolishment of two vacant positions. Non-staff budgets for external engagements and communication are reduced.
- (ii) The CSD budget includes the additional recurrent costs of the enhanced loan disbursement and project procurement processes.
64. The compound inflation rate is applied to all departmental envelopes. This particularly affects the budget of OPV, as amount of travel undertaken, one of its main components, is expected to increase in 2023.
65. Costs under the corporate cost centre heading are split between centrally managed allocable institutional costs such as recruitment and relocation costs that have materially increased due to D2.0 implementation, slightly higher IFAD Client Portal recurrent costs, and significantly lower Microsoft licensing costs, and institutional costs that are centrally managed but not allocable, such as depreciation and after-service medical costs, which have both risen slightly.

Budget proposal by summary cost category

66. The breakdown of the 2023 budget proposal across major cost categories is shown in table 8.
67. When comparing the 2023 budget proposal with the 2022 approved budget, a 19 per cent increase in consultancy costs is observed. This is due to the increasing activity in programmatic areas, as well as support needed for a more decentralized structure.
68. The travel costs category presents a 58 per cent increase when compared to 2022 levels due to an increased need to support both project design and supervision. Since travel activity declined drastically in previous years, a high proportion of the costs envisaged for travel in 2023 relate to catching up activities deferred in recent budget cycles, resulting in a sharp increase in the budget for this category.
69. In relation to other non-staff categories, such as IT services and other costs, facilities management, training and translation and interpreting, the budget remains stable with a small reduction overall. This demonstrates the efforts taken by Management to prioritize activities and absorb significant price increases within the existing nominal budget growth assumptions.

Table 8

Regular budget by department and cost category, 2022 approved and realigned budget versus 2023 proposal (Millions of United States dollars)

	OPV		CSSG		ERG		SKD		PMD		FOD		CSD		CORP (allocable)		CORP (unallocable)	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Staff	2.56	2.38	10.74	10.85	12.69	12.73	15.96	16.52	33.05	33.50	10.55	10.69	15.31	15.41	-	-	-	-
Consultants	0.05	0.05	0.33	0.69	1.26	1.66	0.56	0.48	15.15	18.39	1.73	1.77	2.06	2.00	-	-	-	-
Duty travel	0.03	0.46	0.11	0.08	0.47	0.53	0.27	0.31	4.90	7.71	0.31	0.56	0.23	0.29	-	-	-	-
ICT non-staff costs	-	-	0.07	0.07	0.14	0.15	-	0.00	0.06	0.05	0.08	0.08	5.86	6.32	0.37	-	-	-
Other costs	0.16	0.28	0.46	0.38	3.35	2.87	2.80	2.34	8.42	3.42	0.58	0.64	6.88	11.71	4.71	5.91	4.70	4.42
Total	2.79	3.17	11.70	12.08	17.90	17.94	19.59	19.65	61.58	63.06	13.25	13.74	30.34	35.73	5.08	5.91	4.70	4.42

IFAD regular budget by results pillars

70. As six 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 mapped to direct and indirect costs (i.e. programmatic and administrative resources) and again linked more closely to strategic priorities with their relative contributions fully weighted.
71. Table 9 below shows the 2023 budgets of departments and offices broken down by pillar.

Table 9
Indicative breakdown of regular budget by results pillar, 2023
(Millions of United States dollars)

<i>Department</i>	Pillar 1	Pillar 2	Pillar 3	Pillar 4	Total
	<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>	
OPV	-	-	-	3.17	3.17
CSSG	1.24	0.00	-	10.84	12.08
ERG	0.67	8.18	3.44	5.65	17.94
SKD	11.32	7.39	0.57	0.38	19.65
PMD	63.06	-	-	-	63.06
FOD	7.71	0.04	5.57	0.42	13.74
CSD	10.72	0.88	1.70	22.43	35.73
Corporate cost centre:	2.23	-	0.18	7.92	10.33
Corporate cost centre costs (allocable)	2.23	-	0.18	3.49	5.91
Corporate cost centre costs (unallocable)	-	-	-	4.42	4.42
Subtotal	96.96	16.48	11.46	50.81	175.71
Percentage allocation	55.18	9.38	6.52	28.92	100.00
Total					175.71

72. The above table shows that over 64 per cent of the total budget falls under operational pillars 1 and 2, while pillars 3 and 4 account for the remaining 36 per cent.
73. In line with the prioritized focus of the 2023 budget on decentralization, project design and supervision, the resources allocated to the operational pillars are expected to increase by 4 per cent, compared to the 2022 approved budget.
74. Pillars 2 and 3 show a slight decrease in allocated resources linked to the recalibration of some activities such as IFAD's research activities and annual contributions to global policy forums, and IFAD engagement in key global events, as well as efficiency savings resulting from automation and working process enhancement in the financial risk and corporate fiduciary areas.
75. The breakdown of the budget for each pillar by IOG is shown in annex II, including a comparison to the 2022 and 2021 budgets. It should be noted that the allocation of the 2023 budget by IOG has been recalibrated in line with the newly introduced methodology to assign costs as indirect or direct.

Cost classification

76. The 2023 budget process is based on the principles of enhanced efficiency and resource management and encompasses the separation of budgets on a cost classification basis.
77. To classify its own costs, IFAD reviewed the definitions and sample costs included in the common cost recovery policy of UNDP, the United Nations Population Fund, the United Nations Children's Fund and UN Women:
- Direct costs are directly linked and traceable to a programme or project and to benefits derived by programme or project beneficiaries. Examples of direct costs are: (i) cost of missions and travel incurred specifically to carry out or support programme or project activities; (ii) cost of staff and consultants hired for a programme or project; (iii) cost of policy-advisory or technical services (fully costed: staff costs, share of office rent, utilities, communications, supplies, office security); (iv) cost of processing transactional services (finance, administration, procurement, human resources, logistics); (v) equipment, including information technology equipment, maintenance, licences and support for programmes and projects; and (vi) programme or project audit and evaluation fees.

- Indirect costs are not directly linked or traceable to programmes or projects, but considered necessary to run an organization, and maintain and improve organizational structures. Examples of indirect costs are: (i) corporate executive management; (ii) corporate resource mobilization, partnership relations, and corporate advocacy and communications; (iii) corporate accounting and financial management; (iv) institutional legal support; (v) corporate human resources management; (vi) country office, regional or corporate management; and (vii) internal audit and investigation at headquarters and unit level.
78. The redesigned process uses existing information from corporate systems. IFAD applied the above definition by mapping its IOGs to direct and indirect costs.
79. Table 10 shows the 2023 budget proposal reclassified in line with the above-described methodology and cost classification framework. Direct costs account for more than 55 per cent of total administrative budget resources, which are allocated and linked to projects.
80. IFAD will continue to improve the direct and indirect costs allocation process with each iteration of the planning and budgeting cycle to ensure that the corporate efficiency and performance review enhances the organization's capacity to both measure and manage for efficiency and results.

Table 10

Indicative breakdown of regular budget by direct and indirect costs, 2023

(Millions of United States dollars)

Department	<i>Direct costs</i>	<i>Indirect costs</i>	Total
OPV	-	3.17	3.17
CSSG	1.24	10.84	12.08
ERG	0.67	17.27	17.94
SKD	11.32	8.34	19.65
PMD	63.06	-	63.06
FOD	7.71	6.03	13.74
CSD	10.72	25.00	35.73
Corporate cost centre	2.23	8.10	10.33
Subtotal	96.96	78.75	175.71
Percentage allocation	55.2	44.8	100.00
Total			175.71

Gross budget proposal

81. IFAD implements and manages a number of operations for third parties that are external but complementary to the PoLG. These operations are financed using supplementary funds. Engaging in these partnerships involves additional incremental costs for design, implementation, supervision and administration. These costs are usually funded by management fee income under supplementary fund agreements.
82. The gross budget includes, in addition to the net regular budget, 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 and other bilateral supplementary funds are included in the gross budget.
83. For 2023, the cost of supporting supplementary-fund-related work is US\$8.3 million over and above the net regular budget of US\$175.71 million, which represents an

increase of US\$1.5 million compared to 2022. This amount can be fully recovered from the annual allocable portion of the fee income generated by ASAP, the European Union and other bilateral contributions, which have substantially increased in the recent years, due to increased mobilization of funds from diversified supplementary sources.

84. As a result, the gross budget proposed for 2023 amounts to US\$184 million compared with US\$173.7 million in 2022. Approval is being sought only for the proposed net regular budget of US\$175.7 million. Table 11 provides a summary of the gross and net regular budget.

Table 11

Indicative gross and net budget for 2023

(Millions of United States dollars)

<i>Cost category</i>	<i>Approved 2022</i>	<i>Proposed 2023</i>
Gross budget	173.7	184.0
Costs to support supplementary fund activities	(6.8)	(8.3)
Net budget	166.9	175.7

F. Efficiency ratios

85. The rolling average ratio of IFAD's total PoLG to gross budget over the IFAD11 period was 11 per cent, an improvement over IFAD10.
86. Based on a projected PoLG of US\$1.66 billion, including other IFAD-managed funds, and the proposed gross budget of US\$184 million, the ratio for 2023 is expected to remain at 11 per cent, representing a minor decrease compared to 2022.
87. Considering that the PoLG was largely frontloaded in the first year of IFAD11, efficiency ratio 1 – measuring total costs to the PoLG, including other IFAD-managed funds - can be expected to improve during the IFAD12 period.
88. With the inclusion of cofinancing, IFAD's efficiency ratio 1 is projected at 7 per cent for 2022 and 4 per cent for 2023, in line with the rolling average for the IFAD11 period.
89. Efficiency ratio 3 was introduced in 2016 to measure the amount of portfolio managed per dollar of administrative expenditure. The monetary value of the current portfolio at the end of 2021 was US\$7.7 billion; hence the ratio of the portfolio by value to total costs was US\$49 for every US\$1 of budget expenditure. The amount of portfolio managed per dollar of budget expenditure has increased from US\$45 during the IFAD10 period to US\$51 for the IFAD11 period, and is projected to rise further during the IFAD12 period.
90. As indicated in the approved budget for 2022, IFAD wishes to align its reporting of efficiency with other international financial institutions as it moves forward with an evolving business model, and will therefore focus on efficiency ratio 3, measuring the amount of portfolio managed per dollar of administrative expenditure. In view of 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.
91. To improve IFAD's alignment with other international financial institutions and for the comparability of efficiency ratios, a clear segregation of purely programmatic from purely administrative costs for budget purposes has been proposed in the 2023 budget.
92. Building on the benchmarking analysis conducted in 2021 to 2021, IFAD is exploring adopting new efficiency ratios that differentiate between direct and indirect costs. Potential options include the ratio of IFAD's indirect costs to active

²¹ Update on Enhanced Efficiency and Resource Management (Smart Budget Allocation) [EB 2021/134/R.7](#)

portfolio or to the combination of direct budget expenditures and PoLG disbursements for the year.

93. The introduction of new efficiency ratios should enhance the organization's capacity to both measure and manage for efficiency and results, facilitate the annual planning process, provide further transparency on the allocation of IFAD's regular budget, and create the right incentives within the organization to focus limited resources on achieving results. Further analysis will be conducted in 2023 to select the appropriate ratios.

Table 12

Efficiency ratios

(Millions of United States dollars)

	IFAD10	Actual 2019	Actual 2020	Actual 2021	IFAD11	Projected 2022	Projected 2023
Programme of work							
PoLG	3 168	1 660	878	1 052	3 590	981	1 548
Other IFAD-managed funds	419	262	98	286	646	390	109
Subtotal	3 587	1 922	976	1 338	4 236	1 371	1 657
Cofinancing*	2 402	3 231	1 054	2 077	6 362	989	2 520
Total PoW	5 989	5 153	2 030	3 415	10 598	2 360	4 177
Value of portfolio under implementation at end of period**	-	7 051	8 608	7 727	-	8 640	9 220
Total costs							
Regular budget	450	150.57	142.74	151.95	-	163.15	175.71
Direct costs	n/a	n/a	n/a	n/a	n/a	n/a	97
Indirect costs	n/a	n/a	n/a	n/a	n/a	n/a	79
Costs to support supplementary fund activities	16.1	4.7	4.7	4.7	14.1	6.8	8.3
Total costs	466.3	155.3	147.4	156.7	459.4	170.0	184.0
Efficiency ratio 1: Total costs/PoLG including other IFAD-managed funds	13%	8%	15%	12%	11%	12%	11%
Efficiency ratio 2: Total costs/PoW	8%	3%	7%	5%	4%	7%	4%
Efficiency ratio 3: Portfolio/total costs	0%	45	58	49	n/a	51	50

*Actual numbers recalibrated following systems alignment.

** 2022 and 2023 projected figures are based on data available as of mid-September 2022 on the assumption that all concerned projects are approved, enter into force and are completed as currently planned.

V. 2023 capital budget

94. The total capital budget demand from the departments for 2023 was US\$10.46 million, distributed among ICT and non-ICT-related proposals. A rigorous analysis was conducted, taking into account the existing pipeline of projects, in order to prioritize the capital investment requests and ensure alignment with the most urgent corporate priorities.
95. The capital budget will be divided into three categories: (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. regular yearly replacement of desktop and laptop computers and software licence upgrades, procurement of new official vehicles for newly established offices and replacement of vehicles in existing ICOs); (ii) 2023 strategic priorities and focus areas; 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.
96. The 2023 capital budget envelope amounts to US\$6.5 million, comprising US\$1.5 million to cover cyclical or business continuity capital expenditures, US\$3.9 million related to the 2022 corporate priorities and an additional investment

of US\$1.1 million for other cross-cutting initiatives. Major areas for investment in 2023 include the establishment and enhancement of ICOs and regional offices as part of the D2.0 plan and the provision of a treasury management system.

97. With regards to the ICT-related amounts requested for 2023, a proposed US\$2.40 million will be earmarked for IT projects related to the strategic priorities, with the treasury management system being the biggest investment. A proposed US\$0.85 million will be earmarked for other cross-cutting initiatives, such as machine assisted audit report reviews, development of a field M&E digital toolbox, phase two of the project procurement exercise and others. The amount of US\$0.84 million will be used to cover cyclical and business continuity capital expenditures.
98. With regards to the non-ICT capital requests, the total amount is US\$2.4 million and the investments relate to setting up and enhancing ICOs that are part of the D2.0 plan and have been placed on the priority country office list (US\$1.50 million). The remaining amounts are linked to cyclical ICO vehicle purchases and replacements (US\$0.37 million), ICO relocation and enhancement costs not included in the D2.0 plan (US\$0.29 million), and a project to improve energy efficiency, building management and medical care equipment (US\$0.24 million).

Table 13

Capital budget request, 2023

(Millions of United States dollars)

Category	US\$ (millions)	Percentage
Cyclical and business continuity	1.5	23
Strategic priorities and focus areas	3.9	60
Other cross-cutting investments	1.1	17
Total	6.5	100

VI. 2024-2025 budget outlook and way forward

99. IFAD's regular budgets in 2024 and 2025 are expected to support the continuation of the planned activities under the three pillars of the IFAD12 business model (country programmes, financial architecture and institutional change). Initial estimates were presented to the Executive Board at its 136th session in the high-level preview.
100. While this 2023 budget takes initial steps towards an improved budget process, further work is needed to assess IFAD's costs and identify potential additional rationalizations that could be made over the medium term, taking into account the vision of IFAD's new leadership, IFAD12 commitments and emerging IFAD13 priorities.
101. Over the coming months, the IFAD13 Consultation will provide an opportunity to align IFAD's regular budget with the replenishment objectives and commitments.

VII. Special expenditure budget for IFAD13

102. In line with Governing Council resolution 181/XXXVII, the Executive Board is requested to approve the appropriation for the replenishment special expenditure budget for the IFAD13 Consultation.
103. As indicated in the high-level preview, the budget for the IFAD13 period is proposed at the same level as for IFAD12, adjusted for inflation. The proposed amount is US\$1.17 million, which will be used to cover the costs of the replenishment exercise, including the external chair, replenishment sessions and the preparation of replenishment documents.

Table 14

Estimated special expenditure budget for the IFAD13 replenishment exercise

(Millions of United States dollars)

<i>Description</i>	<i>IFAD12 approved</i>	<i>IFAD12 forecast</i>	<i>IFAD13 proposed</i>
Language services and conference-related costs	0.40	0.29	0.41
Staff costs	0.22	0.23	0.14
Administration costs	0.10	0.05	0.10
Consultancy and travel costs (including External Chair)	0.30	0.43	0.41
Midterm review	0.07	0.10	0.10
Contingency/miscellaneous	0.01	0.00	0.01
Total	1.10	1.10	1.17

Part two - Results-based work programme and budget for 2023 and indicative plan for 2024-2025 of the Independent Office of Evaluation of IFAD

I. Introduction

104. **Evaluations during the global crisis.** After two years of remote missions, in 2022, the Independent Office of Evaluation of IFAD (IOE) has been able to resume in-person missions to selected countries, where conditions and regulations allowed for international travel. This has supplemented the data collection through document reviews, remote stakeholder consultations by telephone, Zoom and Skype, remote-sensing data, and field visits already being undertaken by national consultants. IOE will continue to assess the situation in countries where missions are planned and adapt its approach to the evolving circumstances.²²
105. **Emerging priorities.** This document illustrates the priorities for IOE in 2023 and beyond, their relevance to the multi-year evaluation strategy of IOE for the period 2022-2027,²³ and the resource implications. The document was informed by extensive consultations with IFAD's governing bodies and Management, including the Programme Management Department (PMD) and the Strategy and Knowledge Department. This document is aligned to the multi-year evaluation strategy, which was presented to the Evaluation Committee at its 114th session and to the Executive Board at its 134th session in December 2021. The multi-year strategy helps operationalize the 2021 Revised IFAD Evaluation Policy.²⁴ This document takes into account the discussions held with the Audit Committee, the Evaluation Committee and the Executive Board in September 2022.

II. Activities in 2022

106. This section provides an update on the progress made in 2022, budget utilization up to September 2022 and projected 2022 year-end budget utilization. In line with the 2021 evaluation policy, the IOE budget is developed independently of IFAD's administrative budget.

A. Key evaluations and related initiatives

107. The progress made on selected evaluation activities is outlined below:
- **Corporate-level evaluation (CLE) of IFAD's decentralization experience.** The CLE has concluded the data collection and the country case studies. The draft report is being prepared and, after a peer review in IOE, will be shared with Management for comments. The report will be finalized, taking comments into consideration. The CLE report is planned to be presented to the Evaluation Committee at its 120th session in April 2023 and the Executive Board at its 138th session in May 2023. This schedule takes into account the updated timeline for decentralization, including the opening of two regional offices in East and Southern Africa and West and Central Africa, respectively.
 - **Subregional evaluation (SRE) of fragile situations in West Africa.** In 2022, IOE concluded its first SRE. In consultation with the West and Central Africa Division, IOE covered countries included in the G5 Sahel programme – Burkina Faso, Chad, Mali, Mauritania and Niger – in addition to operations in northern Nigeria. The final report is planned to be presented to the Evaluation Committee at its 119th session in October 2022.

²² <https://www.ifad.org/en/web/ioe/-/the-experience-of-the-independent-office-of-evaluation-of-ifad-in-conducting-evaluations-during-covid-19-learning-note>.

²³ <https://webapps.ifad.org/members/eb/134/docs/EB-2021-134-R-36.pdf>.

²⁴ <https://webapps.ifad.org/members/eb/132/docs/EB-2021-132-R-5-Rev-1.pdf>.

- **Evaluation synthesis on government performance.** An internal learning event on the evaluation findings was organized in June 2022. The report was presented to the Evaluation Committee at its 116th session in March 2022 and the Executive Board at its 135th session in April 2022.
- **Thematic evaluation on gender.** The preparatory work and a preliminary review of the relevant portfolio of operations began in the second half of 2022 and the evaluation will be completed in 2023.
- **Country strategy and programme evaluations (CSPEs).** National roundtable workshops for Eswatini, Indonesia, Malawi and Uzbekistan were conducted via videoconference in the first two quarters of 2022. This allowed for exchanges and discussions with governments and other stakeholders. The CSPEs for Burundi and Eswatini were presented to the Evaluation Committee at its 116th session in March 2022 and the Executive Board at its 135th session in April 2022. The CSPEs for Indonesia and Uzbekistan were presented to the Evaluation Committee at its 117th session in June 2022 and the CSPE Malawi at the 118th session in September 2022. The data collection for the Colombia CSPE has been completed and the report preparation is ongoing. Similarly, data collection is being undertaken in China, Ethiopia and Kyrgyzstan. The CSPE in Guinea-Bissau is being finalized. Given COVID-related travel restrictions in China in 2022, as well as conflict and security concerns in Ethiopia, these two CSPEs will be completed in 2023, including field-visit validation. The CSPE for Haiti will commence in late 2022 and is expected to carry over into 2023, pending a review of the security situation in the country.
- **Annual Report on the Independent Evaluation.** IOE presented the Annual Report on the Independent Evaluation of IFAD (ARIE) to the Evaluation Committee at its 118th session and the Executive Board at its 136th session. This report is a revamped version of the erstwhile Annual Report on Results and Impact of IFAD Operations (ARRI) and is being presented on the twentieth anniversary of that report. As in the past ARRIs, the ARIE contains an analysis of ratings from project-level evaluations as well as ratings for non-lending activities generated by country-level evaluations. However, the new ARIE provides more comprehensive coverage of findings from IOE evaluations, including at the corporate, thematic, country and project level, and places greater emphasis on extracting lessons from evaluations and on learning.
- **Project cluster evaluations.** The project cluster evaluation (PCE) is a new IOE product. The first one, on rural enterprise development, was completed in 2022 for presentation to the Evaluation Committee at its 119th session. Also in 2022, IOE started a PCE on rural finance projects in the East and Southern Africa region. The data collection and country missions are expected to take place between late 2022 and the first quarter of 2023 and will be finalized in 2023.
- **Project performance evaluations (PPEs).** PPEs are progressing as planned. Missions have been conducted for all PPEs in Cuba, Egypt, Lao People's Democratic Republic, Togo and Zambia, and the reports are under preparation.
- **Evaluation synthesis note.** IOE conducted its first evaluation synthesis on the topic of targeting. An evaluation synthesis note consolidates established findings from existing evaluations in a concise form. IOE finalized the note in September 2022, taking into account comments from Management. The note reviews evidence from past IOE evaluations, triangulated with interviews with IFAD staff and additional document reviews. IOE organized a seminar on the emerging findings with IFAD Management in May 2022 as an early input for Management's work on the revision of the targeting policy.

- **Evaluation manual.** The IFAD Revised Evaluation Manual was produced by IOE in collaboration with Management and presented to the Evaluation Committee at its 116th session in March 2022 and the Executive Board at its 135th session. Part 1 has been translated into Arabic, French and Spanish. IOE and Management have presented the manual at two internal seminars for IFAD staff and one seminar for an external audience in May and June 2022. IOE has finalized the chapters of part 2 on independent evaluation products. IOE has prepared a web-based self-paced course on part 1, which is being tested before making it available to the public.
- **Evaluation Advisory Panel.** The Director IOE has established an Evaluation Advisory Panel to further enhance IOE's independence, credibility and utility. IOE held a workshop for the advisory panel in July 2022. The panel members also met with representatives of the Evaluation Committee and Executive Board and Senior Management, the directors of evaluation offices at the other Rome-based agencies and IOE staff.
- **Knowledge management and communication.** Between August 2021 and July 2022, IOE published and disseminated to internal and external audiences 12 evaluation reports, six infographics, 32 news items, 36 event pages, five workshop reports, 15 Coffee Talk fact sheets, four Gender Talk fact sheets and five Evaluation Advisory Panel fact sheets. IOE also published two issues of Independent Magazine and three newsletters. In addition, IOE created two blog posts, four episodes of the video series entitled "60 Seconds with the Director", two feature promotional videos, 11 full live learning event videos and five video event excerpts on the Coffee Talk titled "Mindset Strategies for Post-Evaluation Transformation: Perspectives from Brain Science". Finally, IOE launched its new independent website.
- **Internal and external events and cooperation with other evaluation networks.** Between January and August 2022, IOE organized three online workshops on CSPEs for Indonesia, Malawi and Uzbekistan. Online learning events were organized on: (i) the evaluation synthesis on government performance; (ii) the thematic evaluation on IFAD's support to smallholder farmers' adaptation to climate change; and (iii) the revised evaluation manual (three seminars). Management collaborated in these events as keynote speakers, presenters and panellists.
- Between January and September 2022, IOE participated and made contributions to: (i) the Annual General Meeting of the United Nations Evaluation Group (online); (ii) the Spring Meeting of the Evaluation Cooperation Group (Washington, D.C.); (iii) the gLOCAL Evaluation Week (three virtual events); (iv) the annual Meeting of the International Research Group for Policy and Programme Evaluation (IntEval), organized at Wilton Park (United Kingdom); (v) the 2022 European Evaluation Society Biennial Conference (Copenhagen), with four seminars; (vi) the Islamic Development Bank Group Evaluation Symposium; (vii) the African Evaluation Association International Conference; (viii) the Asia Pacific Evaluation Association; (ix) the Global Evaluation Initiative Partnership Council; and (x) the Wilton Park dialogues on "making transformational change for climate action post-COP26" and on building strategic alliances that enable transformational action.
- IOE is a member of the Global Evaluation Initiative led by the Independent Evaluation Group (IEG) of the World Bank, in collaboration with the Independent Evaluation Office of the United Nations Development Programme. IOE attended the Global Evaluation Initiative Partnership Council (Paris). Plans are being prepared for pilot evaluation capacity activities in Uzbekistan, taking into account the interest expressed by the Government. IOE will support the annual National Evaluation Capacities Conference to be

held in Turin (Italy) in late October 2022. IOE and IEG are also sponsoring an international Evaluation for Transformational Change Award to be conferred at the September 2022 Global Assembly of the International Development Evaluation Association, to be held in Bonn.

B. 2022 budget utilization

108. Table 1 reports on IOE budget utilization in 2021 and up to September 2022, and the projected rate at year-end. In 2021, IOE utilized 97.1 per cent of its non-staff budget to accomplish its work programme, in spite of disruptions due to COVID-19. Total budget utilization in 2022 may be affected by staff vacancies that have arisen during the year.

Table 1

IOE budget utilization in 2021 and projected utilization in 2022 (as of start of September 2022)
(United States dollars)

<i>Evaluation work</i>	<i>Approved budget 2021</i>	<i>Budget utilization 2021</i>	<i>Approved budget 2022</i>	<i>Commitment as of start-September 2022</i>	<i>Expected utilization as of year-end 2022</i>
Non-staff costs					
Travel costs		120 091	-	220 784	280 000
Consultant fees		1 939 830	-	1 619 578	1 750 000
Evaluation outreach, staff training and other costs		300 560	-	161 351	370 000
Subtotal	2 430 000	2 360 480	2 460 000	2 001 713	2 400 000
Non-staff budget utilization (percentage)		97.13%		83.37%	97.56%
Staff costs	3 388 338	3 131 497	3 388 338	2 984 226	3 043 273
Total	5 818 338	5 491 977	5 848 338	4 985 939	5 443 273
Total budget utilization (percentage)		94.39%		85.25%	93.07%

III. IOE 2023 work programme

A. Proposed work programme for 2023

109. As recommended by the external peer review, IOE prepared a multi-year evaluation strategy in consultation with the Evaluation Committee, the Executive Board and Management and presented it to 114th session of the Evaluation Committee in September 2021. The multi-year strategy will orient the selection of evaluations for 2023 and beyond (annex VI and annex VII). The objectives set out in the multi-year strategy 2022-2027 are to:

- (a) Contribute to forging IFAD's corporate culture as a **transparent, learning-oriented and accountable organization** by providing IFAD governing bodies, Management, governments and national development partners with assessments and knowledge that are critical to fulfilling the commitments made under the Eleventh Replenishment of IFAD's Resources (IFAD11), IFAD12 and IFAD13;
- (b) Improve evaluation **coverage** and promote transformative evaluations reflecting the scale and scope of IFAD operations, ensuring methodological rigour, attention to inclusiveness and cultural responsiveness, flexibility and cost-effectiveness;
- (c) Engage with Management, Member States and external partners to support **evaluation capacity** and use within and outside IFAD; and
- (d) Retain and deepen IOE's position as an **internationally recognized leader** in the evaluation of rural development programmes, policies and strategies, by further strengthening the relevance of its work, promoting innovative approaches and the adoption of technology for evaluation, and enhancing

collaboration with evaluation functions in other organizations and with think tanks and universities.

110. In terms of contributing to IFAD's position as a **transparent, learning-oriented and accountable organization**, IOE will continue to apply the 2022 evaluation manual to all its evaluation products. IOE has worked with PMD to roll out the new evaluation manual and related training activities. This is expected to contribute to a common understanding on methodological fundamentals.
111. In 2023 IOE plans to complete a thematic evaluation (TE) on IFAD's progress on gender equality. Gender equality is one of IFAD's four mainstreaming themes and remains an ongoing priority for Member States and Management, as evidenced in the IFAD11 and IFAD12 Consultations. The evaluation will assess, inter alia, the relevance of the IFAD Policy on Gender Equality and Women's Empowerment (2012), how it compares with similar policies in other organizations, and the progress made and results achieved in implementing the policy. The evaluation will also review organizational issues (e.g. human resources, processes, budgets, technical guidance) to implement the gender policy.
112. In 2023, IOE will conclude a CLE on knowledge management at IFAD. The purpose of the evaluation is to assess the relevance and effectiveness of the knowledge management strategies at IFAD (past and present), drawing and capitalizing on its own experience and the experiences of development partners. It will assess how knowledge generation and systematization processes have contributed to development effectiveness, including the use of knowledge to strengthen IFAD's substantive contribution to country-level policy engagement.
113. In 2023, IOE will begin a TE on the progress made by IFAD on nutrition and food security. IFAD has always been engaged in supporting food security at the household and community level. IFAD's specific agenda on nutrition was shaped by IFAD11 and led to two action plans (2016-2018 and 2019-2025). The evaluation will assess progress made at the strategic, policy and operational levels.
114. IOE will continue to produce the annual ARIE, a revamped version of the ARRI introduced in 2022. The ARIE will retain the analysis of ratings, while providing more information on the full range of activities conducted by IOE. In identifying topics for analysis, IOE will take into consideration the recent evaluation cohorts as well as the discussions held with Management and the Evaluation Committee and Executive Board in September 2022.
115. As foreseen in the IOE multi-year strategy and as discussed by the Evaluation Committee at its 115th session in October 2021, IOE will pilot two corporate-level reviews in 2023: (i) a review on the Results Management Framework for IFAD12; and (ii) an ex post review on the actions taken on the recommendations of the 2018 CLE on IFAD's Financial Architecture. These reviews are expected to generate concise documents and are an example of "just in time" evaluation work, introduced by the IOE multi-year evaluation strategy.
116. In the past, the option of an ad hoc CLE on IFAD's institutional efficiency was tentatively considered for 2023. Importantly, IOE will complete its second CLE on decentralization in 2022, which will cover key aspects of institutional efficiency in supporting country programme and non-lending activities. Moreover, the ongoing CLE on knowledge management, to be completed in 2023, will assess the efficiency of institutional processes that are meant to promote knowledge flows in the organization. IOE is also planning to discuss the topic of efficiency at the corporate, country programme and operational level in the 2023 ARIE.
117. For this reason, rather than carrying out a separate CLE on institutional efficiency in 2023, IOE plans to analyse institutional efficiency in the context of a proposed comprehensive CLE on the progress made under IFAD11 and IFAD12 and on the relevance of IFAD13. IOE proposes to conduct this CLE between 2024 and 2025.

This comprehensive evaluation will assess IFAD's strategic directions, operational activities, institutional efficiency and financial architecture and the changes and results propelled by the replenishment processes. Similar evaluations have been performed at other international financial institutions, for example the Inter-American Development Bank and the Global Environment Facility. IOE believes this will result in a more cost-effective use of resources and provide better value added for Management and governing bodies. IOE will provide further information on this comprehensive evaluation in 2023 as a part of its work programme and budget submission for 2024.

118. In terms of **improving evaluation coverage to reflect the scale and scope of IFAD operations**, IOE will conduct CSPEs to inform future country strategies. In 2023, IOE will complete the CSPEs in China and Ethiopia started in 2022. Given the security situation in Haiti, the related CSPE will be kept on hold. New CSPEs will start in Argentina, India, Mauritania, Rwanda, Türkiye. IOE will also start background work for a CSPE in the Dominican Republic in late 2023, for completion in 2024. CSPEs will follow the new structure outlined in the 2022 evaluation manual, which focuses on more strategic aspects of the country programme and leads to more concise reports. It should be noted that Haiti and Mauritania are for the first time being covered by a country-level evaluation at IFAD.
119. As discussed with the Latin America and the Caribbean Division, in 2023 IOE will start a subregional evaluation on the Dry Corridor of Central America, to be completed in 2024. The dry corridor stretches through several countries, including El Salvador, Guatemala, Honduras, Mexico and Nicaragua, and is affected by agroecological fragility and climate change. The evaluation will have a strategic scope and may also include a review of the relevance of IFAD's financial instruments to provide support in the subregion and learn from the experience of other international organizations. Further elements of the scope of this evaluation will be determined through consultation with Management and the national counterparts.
120. IOE will conclude the PCE on rural finance projects in the East and Southern Africa region in 2023. This evaluation will assess projects in selected countries and analyse evidence on successes and shortcomings in the provision of rural financial services and the main explanatory factors. It will help Management draw from the findings to prepare future interventions and support those ongoing.
121. Given the high workload involved in performing higher-plane evaluations and the human resources available, IOE proposes to undertake three PPEs in 2023, as compared to its standard of four or five per annum. The countries considered for PPEs are Bosnia and Herzegovina, Chad and the Solomon Islands. IOE has not yet conducted a dedicated PPE in Bosnia and Herzegovina and in the Solomon Islands. Only one PPE has been conducted in Chad, in 2017. The PPE in the Solomon Islands will support IOE in preparation for a subregional evaluation on the small island developing states in the Pacific, planned to start in 2024 (the exact geographic coverage of this evaluation will be further discussed with Management). In line with its multi-year evaluation strategy, IOE prioritizes PPEs, taking into account the knowledge needs of Management, IOE's need to generate evidence ahead of strategic evaluations (e.g. CSPEs and SREs, TEs or evaluation syntheses), and opportunities to broaden coverage of countries where few evaluations were conducted in the past.
122. In order to assess and support self-evaluation, IOE will undertake project completion report validations (PCRVs) on an ongoing basis. PCRVs are now shorter, with a focus on criteria where there is a disconnect between PMD's self-rating and IOE's rating.
123. In terms of **evaluation capacity development**, IOE will pursue opportunities to support both internal and external evaluation capacity. The internal opportunities

will be dedicated to IFAD staff and will be focused on the utilization of the 2022 evaluation manual, in collaboration with Management. These may consist of IOE's participation in regional workshops or specific technical seminars and methodological roundtables. External opportunities will target capacity development in Member States, in order to improve the ability of Member States to monitor and evaluate their rural development programmes. IOE's role will be to facilitate cooperation between governments, Management and international networks such as the Global Evaluation Initiative. This is in line with IOE's multi-year evaluation strategy and with the 2021 evaluation policy.

124. In terms of **furthering IOE's leadership role in evaluation**, IOE plans to continue engaging with international networks on evaluation and related international initiatives. IOE will continue to contribute actively to evaluation events and discussions at the country, regional and global level. In 2023, IOE will host the annual meeting of IntEval, comprising high-profile representatives from bilateral and multilateral evaluation outfits, think tanks and applied research.
125. IOE will also continue to engage with its Evaluation Advisory Panel to enhance the quality of its work and continue to be at the cutting edge of the rural development evaluation field. To this end, the annual workshop with the Evaluation Advisory Panel will be conducted in 2023 at IFAD headquarters, preferably in conjunction with the IntEval meeting. The panel will interact with Management and the governing bodies.
126. The proposed list of IOE evaluation activities for 2023 is shown in annex VI and the indicative plan for 2024-2025 is presented in annex VII.

IV. 2023 resource envelope

A. Staff resources

127. **The IOE multi-year strategy drives an increase in evaluation coverage.** As indicated in the multi-year strategy, IOE plans to diversify its suite of evaluation products to better serve IFAD's accountability and learning needs and increase the coverage of IFAD operations and strategies and corporate processes. In particular, IOE has introduced new products, such as subregional evaluations and PCEs that cover, respectively, several countries or several projects within a single evaluation exercise. This is a multi-year effort and is expected to generate more strategic findings and lessons.
128. **Increasing demand for strategic evaluations.** In its discussions with Management on its work programme proposal for 2023 and subsequent years, IOE has experienced a surge in interest in corporate and thematic evaluations, as well as in subregional and country-level evaluations. IOE will maintain a prudent approach to setting the size of its work programme and is conscious that there is a limit to the absorption capacity of the organization, which will require time and resources to internalize findings and implement the recommendations.
129. However, the above increased demand for evaluations is a challenge, given IOE's current staff composition: not only in terms of the number of staff but also in terms of the seniority of staff members. Conducting a country-level, subregional, thematic or corporate-level evaluation requires well-established evaluation professionals with solid technical and methodological experience and capacity to engage with Senior Management at IFAD, as well as senior-level stakeholders outside IFAD.
130. **IOE staff-led evaluations.** IOE will continue its practice of having Professional staff lead evaluations, design the methodology, head multidisciplinary teams, write and finalize the reports and present them to Management, governing bodies, government representatives and other external stakeholders. Staff leadership is essential to ensure that evaluation processes and reporting are of high quality and that knowledge generated through evaluation will stay within IFAD and can be shared when required. IOE pursues the above professional evaluator model, which

mitigates risk, enhances the coherence of the evaluation team, allows for better internal and external engagement, and is overall more cost-effective.

131. **Proposed IOE human resource level.** As detailed in table 2, moving forward and taking into consideration the above points, IOE proposes the following changes in the IOE staff complement:

- (a) **Upgrade a current P-3 vacant post (evaluation officer) to P-4 level (senior evaluation officer).** This will allow IOE to hire a staff member with adequate seniority to conduct CSPEs, subregional evaluations and, on a selective basis, TEs.
- (b) **Add a new staff post at the P-3 level (evaluation officer)** to maintain IOE capacity to conduct project-level evaluations, including the new PCEs for which IOE receives continued demand. Project-level evaluations contribute to the evidence base for higher-plane evaluations (e.g. corporate, thematic, subregional and country-level). Moreover, the new staff member will support strategic evaluations led by a senior colleague.
- (c) **Creation of an evaluation assistant staff position at the G-4 level.** This is needed given the increased administrative support required for evaluations that include multi-country visits (e.g. corporate, thematic, subregional and project cluster evaluations), the increasing workload for IOE to engage in learning activities with Management, as well as IOE's support to evaluation capacity development. The effect of this new position on IOE's budget will be modest: part of the additional costs will be internalized in IOE's current administrative budget.

Table 2
Staffing in 2022 and proposed staffing in 2023

Category	2022	2023 (proposed)
Professional staff		
Director	1	1
Deputy Director	1	1
Lead evaluation officers	3	3
Senior evaluation officers	3	4
Evaluation officers	4	4
Evaluation research analyst	1	1
Evaluation knowledge and communication officer	1	1
Subtotal - Professional staff	14	15
General Service staff		
Administrative associate	1	1
Associate to Director	1	1
Assistant to Deputy Director	1	1
Evaluation assistants	3	4
Subtotal - General Service staff	6	7
Grand total	20	22

B. Budget requirements

132. The proposed budget is presented by type of activity in table 3 and by strategic objectives in table 4. Table 5 contains the IOE gender-sensitive budget, which identifies the budget distribution for gender-related activities.

133. **Assumptions.** The parameters used to develop the current proposed 2023 budget will be as follows: (i) standard staff costs for 2023 provided by the Office of Strategic Budgeting (same as for IFAD Management); (ii) inflation will be absorbed

to the greatest extent possible; and (iii) EUR:US\$ exchange rate set at 0.923, following IFAD assumptions.

Table 3

Proposed budget for 2023 by type of activity and comparison with previous budgets

<i>Type of activity</i>	<i>Approved 2020 budget (US\$)</i>	<i>Approved 2021 budget (US\$)</i>	<i>Approved 2022 budget (US\$)</i>	<i>Proposed 2023 budget (US\$)</i>	<i>Absolute number 2022</i>	<i>Absolute number 2023</i>
Non-staff costs						
ARRI/ARIE, CLE, TE, evaluation synthesis and corporate-level reviews	535 000	400 000	570 000	625 000	5	7
SREs and CSPEs	1 000 000	1 140 000	950 000	975 000	8	8
Project-level evaluations (PCEs, PPEs, PCRVs and impact evaluations [IEs])	485 000	340 000	420 000	360 000	42*	40*
Evaluation manual	-	80 000	30 000	-		
IOE multi-year strategy		10 000	-	-		
Knowledge-sharing, publication, communication, evaluation outreach and partnership activities	260 000	270 000	270 000	290 000		
Evaluation capacity development, training and other costs	120 390	120 000	200 000	220 000		
Buffer for unforeseen evaluation work	80 000	70 000	20 000	20 000		
Total non-staff costs	2 480 390	2 430 000	2 460 000	2 490 000		
Staff costs	3 388 338	3 388 338	3 388 338	3 481 000		
Total	5 868 728	5 818 338	5 848 338	5 971 000		
Recruitment of IOE Director	137 000	-	-	-		
New evaluation policy	50 000	-	-	-		
Total budget	6 055 728	5 818 338	5 848 338	5 971 000		

* This number is indicative as the number of PCRVs depends on the number of project completion reports that IOE receives each year. The actual number of PCRVs undertaken may differ.

134. **Budget by divisional goals.** Table 4 shows the allocation of the total IOE proposed budget for 2023, including both staff and non-staff costs, against IOE's strategic objectives.

Table 4
Proposed 2023 budget allocation by strategic objectives

<i>Strategic objectives</i>	<i>Budget</i>	<i>% of total budget</i>
Contribute to forging IFAD's corporate culture as a transparent, learning-oriented and accountable organization by providing IFAD governing bodies, Management, governments and national development partners with assessments and knowledge that are critical to fulfilling the commitments made under IFAD11, IFAD12 and IFAD13	1 373 330	23
Improve evaluation coverage and promote transformative evaluations reflecting the scale and scope of IFAD operations and ensuring methodological rigour, attention to inclusiveness and cultural responsiveness, flexibility and cost-effectiveness	3 284 050	55
Engage with Management, Member States and external partners to support evaluation capacity and use within and outside IFAD	537 390	9
Retain and deepen IOE's position as an internationally recognized leader in the evaluation of rural development programmes, policies and strategies, by further strengthening the relevance of its work, promoting innovative approaches and the adoption of technology for evaluation, and enhancing collaboration with evaluation functions in other organizations and with think tanks and universities	776 230	13
Total	5 971 000	100

Note: percentages are rounded up.

135. **Gender-sensitive budget.** IOE's evaluations have historically placed a strong emphasis on examining gender-related issues in IFAD operations. The central transformative principle of the 2030 Agenda for Sustainable Development, Leave No One Behind, is reflected in the 2022 evaluation manual and in IOE's multi-year strategy. IOE will henceforth take a more robust review of gender equality in evaluations (including the issue of transformational change and intersectionality). IOE will also complete a TE on gender equality in 2023.

Table 5
IOE 2023 gender-sensitive budget

<i>Type of activity</i>	<i>Proposed 2023 budget</i>	<i>Gender component (percentage)</i>	<i>Gender component (US\$)</i>
Non-staff costs			
ARIE, CLE, TE, evaluation synthesis and corporate-level reviews	625 000	20	116 000
SREs and CSPEs	975 000	13	126 100
Project-level evaluations (PCEs, PPEs, PCRVs and IEs)	360 000	11	45 100
Knowledge-sharing, communication, evaluation outreach and partnership activities	290 000	8	23 200
Evaluation capacity development, training and other costs	220 000	8	17 600
Buffer for unforeseen evaluation work	20 000	8	1 600
Total non-staff costs	2 490 000	13.3	329 600
Staff costs			
Gender focal point and alternate gender focal point	333 000*	15	49 950
Other evaluation staff members	3 148 000	7	220 360
Total staff costs	3 481 000	8	270 310
Total	5 971 000	10	599 910

* Assuming a P-3 and a P-4 staff member.

V. IOE budget proposal and considerations for the future

136. **Current proposal.** The proposed 2023 budget totals US\$5.97 million, US\$122,662 more than the approved budget for 2022, mainly due to an increase in the budget for human resources. This amount is lower than in IOE's submission to the

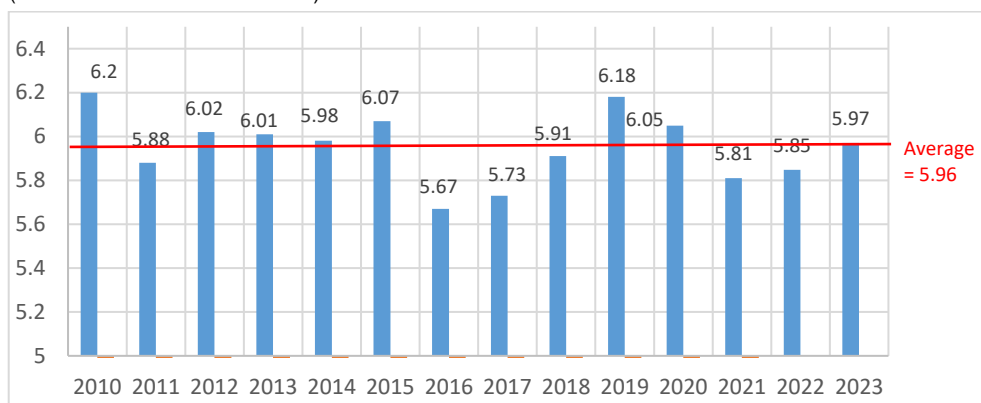
Evaluation Committee and Executive Board in September 2022. This is due to the lower standard costs for staff adopted by IFAD for 2023. This requested budget envelope is lower than IOE's budget of US\$6.18 million in 2019, US\$6.05 million in 2020 and the budget of US\$6.20 million in 2010 (figure 1).

137. **Streamlining processes.** IOE's budget as a percentage of IFAD's administrative budget has witnessed a consistent decline over the last decade (figure 2). Over the years, IOE has sought to streamline processes and products and control the cost of conducting evaluations. Estimates for the total administrative budget for IFAD for the year 2023 were not available at the time of compiling this document. Figure 2 will be updated as soon as such estimates are provided.
138. Furthermore, learning from the experience of limited international travel during the COVID-19 pandemic, IOE has revised its approach to country programme evaluations, as well as thematic and corporate-level evaluations. This includes, for example, conducting virtual preparatory missions, online consultations and online learning events.²⁵ These measures lead to savings in international travel, with the understanding that in-person missions to collect primary data are still required.²⁶

Figure 1

IOE budget (2010-2023)

(Millions of United States dollars)

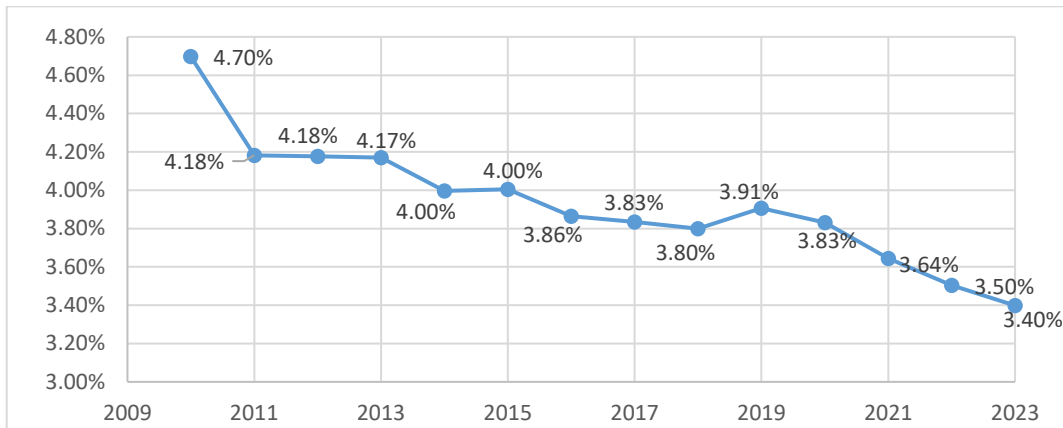


²⁵ For the related learning note elaborated by IOE:

https://www.ifad.org/documents/38714182/42217951/LearningNote_Covid19_forweb2.pdf/98f22bb0-6c22-16c3-c54b-4f09b4f0fdcd.

²⁶ As an example, the typical budget for a CSPE before the COVID-19 pandemic was US\$200,000. If the preparatory mission and the national workshop can be conducted virtually and if the main mission can be conducted in presence, the CSPE budget can be reduced to about US\$150,000 for many countries.

Figure 2
IOE budget as a percentage of IFAD regular administrative budget (2010-2022)



139. IOE's budget cap is fixed at 0.90 per cent of IFAD's programme of loans and grants (PoLG). As decided by the Executive Board at its 131st session, the ratio of the budget as a percentage of the average PoLG is calculated over three years of a given replenishment period. For the IFAD12 period, IFAD's total PoLG is expected to be US\$3.5 billion, which when spread over three years comes to US\$1.16 billion annually. Thus, IOE's proposed budget of US\$5.97 million represents approximately 0.51 per cent of IFAD's PoLG, well below the above cap.
140. IFAD's budget rules allow for a limited carry-over of IFAD administrative budget and IOE budget from one year to the subsequent year. The level of carry-over for IOE will follow the agreement made for IFAD's administrative budget and its utilization will be in line with the relevant organization guidelines.

Part three – Enhanced Heavily Indebted Poor Countries Initiative progress report for 2022

I. Introduction

141. The objective of this progress report as at 30 September 2022 is to:
- Inform the Executive Board of the status of implementation of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and of IFAD's participation in the Initiative; and
 - Seek Executive Board approval for submitting the substance of this progress report to the Governing Council at its forthcoming session for information.

II. Background

142. The HIPC Debt Initiative was established in 1996 as a joint collaboration between the World Bank and the International Monetary Fund and other multilateral institutions, including IFAD, with the aim of providing debt assistance to eligible developing countries. The HIPC Initiative does not affect the preferred creditor status of participating institutions. Neither is it seen as a mechanism to settle arrears, and indeed one of the preconditions for a country's eligibility to become a beneficiary of the HIPC Initiative is not having arrears. A percentage of debt is forgiven, on a pay-as-you-go basis, by all participating lenders following satisfactory economic performance/reforms.²⁷
143. The Governing Council, at its twentieth session held in February 1997, approved IFAD's participation in the International Monetary Fund (IMF) and World Bank Debt Initiative for Heavily Indebted Poor Countries as an element of IFAD's broader policy framework for managing operational partnerships with countries that have arrears with IFAD, or that face the risk of having arrears in the future because of their debt-service burden (see EB 96/59/R.73 and GC 20/L.6, resolution 101/XX). The Governing Council delegated authority to the Executive Board to approve, on a country-by-country basis, the debt relief required from IFAD as part of the overall HIPC Debt Initiative effort to reduce a country's debt to a sustainable level.
144. In February 1998 IFAD established a HIPC Trust Fund to receive resources to fund the HIPC Debt Initiative, specifically dedicated as compensation to the loan-fund account(s) for agreed reductions in loan repayments under the initiative. Contributions may be denoted either for the relief of debt of specific countries, or for the general relief of those countries included in the HIPC programme. In 2006, to mitigate the impact of debt relief on resources available for commitment to new loans and grants, Member States supported IFAD's formal access to the HIPC Trust Fund administered by the World Bank (subsequently renamed the Debt Relief Trust Fund [DRTF]). Since then, two thirds of HIPC debt relief has been funded by the DRTF.
145. HIPC debt relief is provided upon reaching certain milestones, which are closely monitored by the World Bank and IMF:
- **Pre-decision point:** Countries are monitored by IMF and the World Bank to determine arrears settled or going to be settled, as well as for indications of macroeconomic reforms.
 - **Decision point:** The World Bank and IMF review macroeconomic conditions in the country and, if satisfactory, declare the decision point to have been reached, upon which debt relief is quantified. A number of assumptions such

²⁷ The enhanced HIPC Initiative was adopted by the World Bank and IMF in the fall of 1999 to accelerate the delivery of HIPC Initiative assistance and link debt relief more firmly and transparently to poverty reduction. At the same time, the enhancements more than doubled the projected amount of relief to be provided under the original initiative.

as the discount factor or common reduction factor are defined at decision point.

- **Interim debt relief:** In some cases, as endorsed by the World Bank and IMF, interim debt relief is provided during the intervening period between the decision point and completion point.
 - **Completion point:** Debt relief is provided.
146. Debt relief is provided through the reduction by up to 100 per cent of the respective country's semi-annual debt-service obligations to IFAD (principal, service charges and interest payments), as these fall due, up to the aggregate net present value amount approved.

III. Progress in the implementation of the HIPC Initiative

Completion point countries

147. Progress has been made in the implementation of HIPC since the Initiative's inception. Approximately 92 per cent of eligible countries (35 out of 38) have reached completion point, thereby benefiting from HIPC assistance (see table 1 below). Completion point countries are entitled to debt relief for an amount of about US\$480.8 million. As at 30 September 2022, debt relief already provided amounted to US\$468.6 million, with a remaining balance of approximately US\$12.1 million in debt relief to be provided in future periods.

Decision point countries

148. Substantial progress has been made in the past year with two countries, Somalia and Sudan, reaching decision point. The IMF and International Development Association (IDA) executive boards have agreed to support a comprehensive debt-reduction package for both countries under the enhanced HIPC Debt Initiative. In April 2022, at its 135th session, the Executive Board approved decision point for both countries.

Somalia

149. As a precondition to allow the debt relief to be effected at completion point, arrears have to be cleared with all international financial institutions.²⁸ Somalia has long-outstanding loan arrears with IFAD. Management is supporting the Government of Somalia to find a suitable solution in line with the clearance practices adopted by other financial institutions.
150. To support the clearance of Somalia's arrears to IFAD, assistance was provided by the Government of Belgium for an amount of EUR 2.5 million and from the Government of Italy for an amount of EUR 0.5 million. Consequently, Somalia's outstanding (principal and interest) amounts decreased to SDR 18.0 million as at 30 September 2022. The HIPC Initiative will cover an estimated SDR 13.8 million²⁹ in nominal terms, leaving a shortfall of SDR 4.2 million still to be cleared. Member States are encouraged to provide the Fund with additional resources to directly support financing Somalia's arrears clearance. Management will inform the Executive Board on progress made and will submit a proposal for approval to the Board at its forthcoming sessions.

Sudan

151. Unless otherwise agreed by the Executive Board, Sudan would be entitled to HIPC debt relief at completion point for an amount of SDR 72.4 million in nominal terms.³⁰ Sudan is repaying IFAD loan instalments on a timely basis.

²⁸ Nearly all the country's official external debt was in arrears at end-2018, including to IDA, IMF and the African Development Bank (AfDB). Somalia has now cleared its arrears to IDA and the AfDB, and has agreed an approach to clear its arrears to the IMF, which has granted interim assistance.

²⁹ Somalia debt relief is projected at SDR 12.6 million in net present value terms. Completion point is foreseen for 2023.

³⁰ Sudan debt relief is projected at SDR 65.3 million in net present value terms. Completion point foreseen for 2023.

Pre-decision point countries

152. As at 30 September 2022, Eritrea was still at the pre-decision point stage and has yet to start the process of qualifying for debt relief under the Initiative. Debt relief is projected at approximately SDR 14.0 million. The main debt relief assumptions and conditions have yet to be confirmed by the World Bank and IMF.
153. The table below provides an illustrative summary of countries participating in the enhanced HIPC Initiative by stage.

Table 1

Member States participating in the enhanced HIPC Initiative, by stage

<i>Completion point countries (35)</i>	<i>Decision point countries (2)</i>	<i>Pre-decision point countries (1)</i>
Benin Bolivia (Plurinational State of) 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 Togo Uganda United Republic of Tanzania Zambia	Somalia Sudan	Eritrea

IV. Total IFAD commitments to the HIPC Initiative

154. The Fund's participation in the overall enhanced HIPC Initiative corresponds to US\$611.0 million, as indicated in table 2 below. The actual amount may vary from the current estimates depending on changes in economic conditions, HIPC discount rates and potential delays in the remaining countries reaching the decision and completion points.

Table 2
HIPC commitments
(Millions of SDR and millions of United States dollars)

	<i>NPV</i>		<i>Nominal</i>	
	<i>SDR</i>	<i>US\$^a</i>	<i>SDR</i>	<i>US\$^a</i>
Completion point countries (<i>approved</i>)	247.2	316.8	375.1	480.7
Decision point countries	77.9	99.8	86.2	110.5
Pre-decision point	13.8	17.8	15.4	19.8
Total	338.9	434.4	476.7	611.0

^a Exchange rate prevailing on 30 September 2022 of 1.2817.

^b Figures include Somalia and Sudan HIPC entitlements.

155. As at 30 September 2022, the Fund had provided debt relief amounting to US\$468.6 million to eligible countries at completion point, while future debt relief already approved for completion point countries is equivalent to US\$12.1 million. It should be noted that IFAD future commitments, including cases yet to be approved, will amount to US\$142.4 million, as shown in table 3 below.

Table 3
HIPC debt relief for completion point countries
(Millions of SDR and millions of United States dollars)

	<i>Nominal</i>	
	<i>SDR</i>	<i>US\$^a</i>
Debt relief provided		
Completion point countries	365.6	468.6
Future debt relief		
Completion point countries <i>Approved</i>	9.5	12.1
Decision point <i>Approved</i>	86.2	110.5
Pre-decision point <i>To be approved</i>	15.4	19.8
Subtotal - future debt relief	111.1	142.4
Total	476.7	611.0

^a Exchange rate prevailing on 30 September 2022 of 1.2817.

V. Financing IFAD HIPC debt relief

156. IFAD has funded its participation in the HIPC Initiative with external contributions (either paid directly to IFAD or transferred through the DRTF) and its own resources from 1998 to 2022 as follows:

- External contributions³¹ paid amounting to about US\$287.1 million (52.3 per cent),
- Contributions from IFAD's own resources amounting to about US\$253.3 million (46.1 per cent),
- Investment income from the IFAD HIPC Trust Fund amounting to approximately US\$8.4 million.

157. To mitigate the impact of debt relief on resources available for commitment for new loans and grants, Member States have supported IFAD's formal access to the DRTF administered by the World Bank. As agreed in 2006, and in accordance with the enhanced HIPC Initiative procedures, two thirds of HIPC entitlements are compensated by the DRTF, while the remaining portion is funded by IFAD resources, which may include additional contributions from Member States. Since 2006 IFAD

³¹ External contributions include contributions from Member States in the amount of US\$71.5 million and contributions from the DRTF in the amount of US\$215.6 million.

has signed several grant agreements bringing the total received to date to US\$215.6 million to cover completion point debt relief.

158. As mentioned above and as shown in table 4 below, future debt relief for decision point countries is estimated at approximately US\$110.5 million. Traditionally IFAD has been compensated by the DRTF for approximately 67 per cent of HIPC entitlements. IFAD Management is currently holding conversations with World Bank management to receive additional support from the DRTF.

Table 4

Estimated funding for decision point countries

(Estimates as at 30 September 2022, amounts expressed in millions of United States dollars)

	<i>DRTF</i>	<i>IFAD portion</i>	<i>Total decision point debt relief</i>
Future debt relief			
Somalia	11.8	5.9	17.7
Sudan	61.9	30.9	92.8
Total	73.7	36.8	110.5

159. While giving priority to ensuring that the IFAD HIPC Trust Fund is adequately financed, Management continues to encourage Member States to provide additional resources to help finance IFAD's participation in the HIPC Initiative. As requested by Member States, IFAD's HIPC funding needs will be included in the forthcoming replenishment scenarios during the Consultation on the Thirteenth Replenishment of IFAD's Resources (IFAD13).

Part four – Progress report on implementation of the performance-based allocation system and the Borrowed Resource Access Mechanism

I. Implementing the performance-based allocation system (PBAS) and the Borrowed Resource Access Mechanism (BRAM) in IFAD12

160. **IFAD12 commitments.** During the Consultation on the Twelfth Replenishment of IFAD's Resources (IFAD12), several commitments were made as regards the allocation of the Fund's resources to ensure the highest possible level of efficiency and an increased focus on the poorest countries.³² Country selection criteria based on agreed parameters first introduced in IFAD11 were maintained. Similarly, the number of countries entering the IFAD12 cycle has remained at up to 80. Based on the selectivity criteria, a total of 78 countries were selected to enter the IFAD12 cycle. These include 66 low-income countries (LICs) and lower-middle-income countries (LMICs), and 12 upper-middle-income countries (UMICs), for which the selection criteria are as follows:
- (a) **Strategic focus:** existence of a valid country strategic opportunities programme or country strategy note early in the PBAS cycle. This ensures that qualifying countries have a strategic vision on the use of IFAD resources and are therefore ready to engage in concrete operational discussions.
 - (b) **Absorptive capacity:** all operations that have been under implementation for more than one year in a country must have disbursed funds at least once in the previous 18 months. This provides a practical measure of resource absorption capacity and allows the Fund to sequence new designs more closely with implementation support and non-lending activities.
 - (c) **Ownership:** no approved loans are awaiting signature for more than 12 months. This proxy ensures adequate ownership and commitment to facilitating the use of IFAD's resources.
161. Commitments were also made on the share of core resources to be allocated through the PBAS to various country groupings:
- (a) **Monitorable action 17:** allocate 100 per cent of core resources to LICs and LMICs, ensuring that 55 per cent are allocated to Africa, and 50 per cent to sub-Saharan Africa.
 - (b) **Monitorable action 15:** allocate at least 25 per cent of core resources to countries with fragile situations.
162. In addition, Management committed to the creation of a new financing mechanism for borrowed resources and their utilization:
- (a) **Monitorable action 18:** UMICs access between 11 per cent and 20 per cent of the IFAD12 programme of loans and grants (PoLG) through the use of borrowed resources.
 - (b) **Monitorable action 40:** present a proposal for the establishment of an access mechanism for borrowed resources to the Executive Board.
163. **Commitment implementation status.** Management complied with monitorable action 40 in 2021, with the approval of the creation of the BRAM at the Executive Board session in April.³³ In December 2021, Management also shared with the

³² GC 44/L.6/Rev.1.

³³ EB 2021/132/R.9/Rev.1.

Executive Board an operationalization framework for the BRAM.³⁴ Compliance with monitorable actions 15 and 17 on the share of core resources reaching LICs, LMICs, Africa, sub-Saharan Africa and countries with fragile situations was also achieved when core resources were distributed at the beginning of the IFAD12 cycle, as reported at the special session of the Executive Board in February 2022.³⁵ This is shown in table 1.

Table 1
IFAD12 allocation commitments (percentage of core resources distributed through the PBAS)

<i>Share of core resources</i>	<i>IFAD12 share of core resources</i>	<i>Commitment</i>
Africa	66%	>=55%
Sub-Saharan Africa	62%	>=50%
LICs and LMICs	100%	100%
Fragile countries	35%	>=25%

164. Compliance with monitorable action 18 on the share of the PoLG accessed by UMICs will be monitored throughout the IFAD12 cycle and it will be reported on to the Board at the end of IFAD12. The achievement of this target is dependent on eligible countries' demand for borrowed resources. IFAD will closely monitor BRAM demand to ensure that the range of resources accessed by UMICs is in line with the commitment made for the IFAD12 cycle.
165. **Financial assumptions.** The financial assumptions underlying the figures referenced in this progress report – i.e. the amount of core resources allocated through the PBAS and amount of borrowed resources that can be accessed through the BRAM – are reflected in table 2.³⁶ The splitting of core resources into Debt Sustainability Framework (DSF) and non-DSF core resources means, in PBAS methodology-related terms, that the formula was applied to two sets of countries: LICs and LMICs that are DSF-eligible, and LICs and LMICs that are not DSF-eligible. This ensures that the DSF resources distributed are in line with resources available.

Table 2
PBAS and BRAM resources for IFAD12
(Millions of United States dollars)

<i>Type of resources</i>	<i>Amount</i>
DSF (core)	425
Non-DSF (core)	1 860
BRAM (borrowed)	1 090
Total	3 375

166. **The performance-based allocation system.** IFAD adopted this system to allocate resources to partner countries in 2003. Since then, the application of the PBAS has provided IFAD with a transparent and predictable approach to resource allocation. The current PBAS formula is the result of a review initiated after a corporate-level evaluation (CLE)³⁷ conducted by the Independent Office of Evaluation of IFAD in 2015 and 2016. The CLE concluded that the adoption of the PBAS had enhanced the Fund's credibility as an international financial institution, and also pointed out areas for further improvement of the PBAS formula.

³⁴ EB 2021/134/INF.2.

³⁵ EB 2022/S12/R.2.

³⁶ In the September 2021 update (EB 2021/133/R.13), Management confirmed this PoLG size and distribution. In the September 2022 PoLG update (EB 2022/136/R.10/Rev.1), Management noted a shortfall of US\$21 million of core resources due to lower than expected pledges as of 14 July 2022. While no reduction in grants is envisaged with this outcome, the current shortfall of US\$21 million would need to be accommodated within the non-DSF core resources distributed through the PBAS. Should the expected pledges not materialize, these funds will be compensated for by using funds that become available for reallocation in the final year of the cycle.

³⁷ EB 2016/117/R.5.

167. Following consultations with Member States through the Executive Board Working Group on the PBAS, the Executive Board approved the updated PBAS formula in September 2017.³⁸ The formula reads as follows:

$$(RuralPop^{0.405} \times GNIPC^{-0.265}) \times IVI^{0.95} \times (0.35RSP + 0.65PAD)^1$$

168. The above PBAS formula has been used to generate the allocations for both IFAD11 and IFAD12. The formula is made up of five variables organized around two components: (i) a needs component, which includes three variables: gross national income per capita (GNIPC), rural population and the IFAD Vulnerability Index; and (ii) a performance component, which includes the rural sector performance assessment, and the portfolio and disbursement measure. In accordance with the decision made by the Executive Board in 2019 to maintain PBAS allocations constant throughout the replenishment cycle,³⁹ the allocations shared with Member States at the special session in February 2022 remain valid for the whole IFAD12 cycle.
169. **The Borrowed Resource Access Mechanism.** Borrowed resources are accessible to all eligible LICs, LMICs or UMICs through the BRAM. In addition to complying with the country selectivity criteria outlined above, to access the BRAM, countries need to comply with a further criterion of eligibility based on their level of indebtedness. Countries at high risk of or in debt distress will not be eligible to access borrowed resources. Special attention will be given to countries in moderate debt distress to review carefully their exposure to shocks within the overall creditworthiness assessment and their capacity to absorb additional semi-concessional debt. Other principles governing access to borrowed resources through the BRAM are: supply of borrowed resources; risk-based country limits; differentiated financing conditions; and demand-based access.⁴⁰
170. In line with these principles, the overall amount of borrowed resources available will be set depending on the funding strategy and the resources available for commitment. The amount of borrowing available for individual countries will be set according to risk-based ceilings and based on demand. At the same time, no country can borrow more than 5 per cent of available resources.⁴¹
171. **PBAS and BRAM implementation.** The following sections outline the progress made to date⁴² in delivering PBAS and BRAM resources in terms of approvals and the pipeline of operations for 2023 and 2024. It should be noted that the pipeline information is fluid and constantly evolving, as pipeline planning firms up, operational design processes move forward, and in-country situations change. A complete overview of the implementation of the PBAS and BRAM will be provided at the end of the cycle.
172. As mentioned above, in early 2022, 78 countries were identified for accessing IFAD12 funding. Of these, 52 countries were assessed as being eligible⁴³ for BRAM resources: 11 LICs, 29 LMICs and 12 UMICs. Since then, IFAD has received confirmation of interest to borrow under the BRAM by the majority of those countries. Only six countries have indicated that they do not wish to access BRAM (Bhutan, Iraq, Jordan, Mongolia, Solomon Islands and Vanuatu). Two countries (Comoros and Malawi) are no longer eligible due to changes in their fiscal landscape. To date therefore, BRAM resources are available to 44 countries. Table 3 shows the distribution of countries accessing BRAM across income categories.

³⁸ Details of the review process and a full description of each formula variable can be found in document EB 2017/121/R.3.

³⁹ EB 2019/128/R.3/Add.2.

⁴⁰ EB 2021/134/INF.2.

⁴¹ EB 2021/132/R.9/Rev.1.

⁴² Analysis of situation as at 31 October 2022.

⁴³ In addition to complying with the three criteria for accessing both core and borrowed resources (strategic focus, absorptive capacity and ownership), countries accessing BRAM are assessed based on their level of indebtedness and risk status.

Table 3
Countries accessing BRAM by income category
 (Number of countries – as at time of writing)

<i>Income status</i>	<i>Number of countries</i>
LIC	10
LMIC	24
UMIC	10
Total	44

173. **PBAS and BRAM programming.** The bulk of IFAD12 resources (96 per cent) have already been programmed. As shown in table 4, this is the case for both core and borrowed resources. Programmed resources include approvals in 2022 as well as investment projects in the 2022-2023 operational pipeline. Only 4 per cent of available resources remain to be programmed. Demand for such resources exists and, as IFAD is currently entering the second year of the IFAD12 cycle, Management is confident that the full volume of resources available will be programmed by cycle-end.

Table 4
IFAD12 programming: core and borrowed resources
 (Millions of United States dollars)

<i>Type of resources</i>	<i>IFAD12 resources</i>	<i>Programmed resources</i>
DSF (core)	425	423
Non-DSF (core)	1 860	1 814
BRAM (borrowed)	1 090	1 002
Total	3 375	3 239

II. Implementation of the IFAD Graduation Policy

174. The Executive Board approved the IFAD Graduation Policy (EB 2021/133/R.5) in September 2021 as one of the IFAD12 commitments. The Graduation Policy is guided by the principle of universality and IFAD's mandate to serve its developing Member States, while focusing on poor, food-insecure and vulnerable rural people. The policy comprises four pillars and provides more clarity on the distribution of IFAD's financial resources (pillar 1) and the financing conditions and pricing of borrowed IFAD resources (pillar 2). Pillars 3 and 4 articulate in detail the criteria and process that would lead to a country's graduation and also address situations of possible reversal of the socio-economic development of an IFAD Member State.
175. Following the approval of the Graduation Policy, IFAD updated the guidelines and procedures for country strategic opportunities programmes (COSOPs) to provide guidance to country teams on the preparation of new COSOPs for countries that are approaching graduation. As envisaged in the policy, Management also liaised with the Independent Office of Evaluation of IFAD (IOE) to prioritize the undertaking of country strategy and programme evaluations (CSPEs) for countries approaching graduation. This was to ensure that, to the extent possible, new COSOPs are informed by the recommendations emanating from CSPEs.
176. As outlined in the annex of the policy, a total of eight Member States were above the Graduation Discussion Income (GDI) threshold for 2021 (US\$7,155) consecutively from 2018 to 2020. This list included Argentina, Brazil, China, Cuba, Dominican Republic, Mexico, Montenegro and Türkiye. The planning of CPSEs and new COSOPs for the eight countries moving towards graduation is interlinked, and consultation on graduation will begin when the new COSOP designs are started. New COSOPs are programmed for preparation in 2023 and 2024 for all eight countries, with COSOP approvals and presentations to the Executive Board scheduled in either 2024 or 2025.

177. In the case of Dominican Republic and Türkiye, in order to benefit from the CSPEs due to be undertaken in 2023 and 2024, the new COSOPs are proposed for design in 2024 with approvals in 2025. In the case of Mexico, given that the most recent CSPE was undertaken in 2019 and that a COSOP for 2020-2025 is in place, it is proposed that the new COSOP be delayed for approval in 2025.
178. By the end of IFAD12, four out of eight countries (Argentina, China, Dominican Republic and Türkiye) will have undergone a CSPE, with recommendations feeding into new COSOPs. With respect to Brazil, a discussion was held with IOE on the possibility of a CSPE, but given that a new COSOP design process had already been scheduled for early 2023 with the incoming Government, the timing was not conducive.
179. In addition to CSPEs, a number of countries on the list have either had a recent project performance evaluation (PPE) or are due for one before the end of IFAD12. This includes Dominican Republic, where a PPE was undertaken for the Rural Economic Development Project in the Central and Eastern Provinces in 2020, and Cuba where a PPE for the Cooperative Rural Development Project in the Oriental Region was completed in 2022.
180. As envisaged in the policy, changes may occur in country situations, for example due to economic shocks. One such potential case, which is being monitored, is Cuba. An assessment will take place in early 2023 to ascertain if the country has dropped back below the GDI threshold, and if so, the graduation process for Cuba would be paused.
181. The COSOPs for graduation countries will be prepared in line with the COSOP guidelines updated in 2022, which reflect the criteria and process set in the Graduation Policy. IFAD country teams and technical specialists will prepare the COSOP in close consultation with the Member State. IFAD is committed to support partner countries throughout the whole COSOP process; at the completion of the COSOP period, both IFAD and the Member State will assess the country's readiness for graduation. Graduation will not be automatic, rather the decision on graduation at the end of a COSOP period will be taken mutually by the concerned Member State and IFAD on the basis of the criteria of the Graduation Policy. The universality principle governs IFAD's relationships with its Member States, and countries that graduate from IFAD's financial support remain important partners of the Fund. They will continue to have access to diverse support and services related to the sharing of knowledge, technical expertise and policy engagement, including through instruments such as the South-South and Triangular Cooperation and reimbursable technical assistance⁴⁴.

III. Country lending terms for 2023

182. IFAD's lending terms for borrowers include loans on highly concessional, blend and ordinary terms. The lending terms are determined in accordance with the Policies and Criteria for IFAD Financing and the Framework on Financing Conditions,⁴⁵ primarily based on two criteria: (i) the borrower's GNIpc as calculated by the World Bank Atlas methodology; and (ii) an assessment by the President of IFAD, taking into account the country's creditworthiness.
183. The Transition Framework⁴⁶ approved by the Executive Board in December 2018 establishes the overall principles and procedures for the transition and reversal of a country's lending terms eligibility. The lending terms applicable to each country are reviewed prior to the start of every replenishment period and are effective in principle for the entire three-year period. If IFAD finds that a country has become eligible for less concessional terms, the new terms are applied gradually over the

⁴⁴ GC 44/L.6/Rev.1.

⁴⁵ EB 2021/134/R.19.

⁴⁶ EB 2018/125/R.7/Rev.1.

replenishment period using a phasing-out/phasing-in mechanism. The lending terms are reviewed annually. In any such review, if a country becomes eligible for a reversal to more concessional terms, the reversal becomes effective the following calendar year.

184. In addition, for LICs that are eligible for highly concessional terms, the Fund determines whether a borrower may be eligible for grants or a mix of loans on more concessional terms under the DSF. In December 2019, the Executive Board approved a DSF reform⁴⁷ to tailor IFAD's response by introducing granularity of concessionality and to maximize the use of official development assistance for the poorest countries, while adhering to the international architecture of support for debt distress management:
- (i) Countries in debt distress or at high risk of debt distress receive 100 per cent of their allocation on grant terms;
 - (ii) Countries at moderate risk of debt distress with limited or some space to absorb shocks are provided with a financing package comprising 80 per cent of their allocation on super highly concessional terms and 20 per cent on highly concessional terms through the application of repayment terms for small states, resulting in a concessionality level of 71 per cent;
 - (iii) Countries at moderate risk of debt distress with substantial space to absorb shocks receive 100 per cent of their allocation on improved highly concessional terms (lending terms with higher concessionality than regular highly concessional terms through the application of repayment terms for small states), with a concessionality level of 63 per cent; and
 - (iv) Countries at low risk of debt distress have access to highly concessional terms.

⁴⁷ EB 2019/128/R.44.

Part five – Recommendations

185. 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 2023 at a level of up to SDR 1,172 million (US\$ 1,548 million), which comprises a lending programme of SDR 1,145.5 million (US\$1,513 million) and a gross grant programme of SDR 26.5 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 2023 in accordance with available resources.
186. In accordance with the Governing Council resolution 181/XXXVII, the Executive Board:
- Approved the appropriation for the replenishment special expenditure budget for the IFAD13 replenishment exercise in the amount of US\$1.17 million.
187. In accordance with article 6, section 10, of the Agreement Establishing IFAD and regulation VI of the Financial Regulations of IFAD, the Executive Board recommended by consensus and without objection that the Governing Council approve:
- The administrative budget comprised of, first, the regular budget of IFAD for 2023 in the amount of US\$175.7 million which has been prepared on a cost classification basis⁴⁸ and that includes US\$78.75 million of management resources to cover indirect costs and US\$96.96 million of programme resources to cover direct costs; second, the capital budget of IFAD for 2023 in the amount of US\$6.5 million; third, the budget of the Independent Office of Evaluation of IFAD for 2023 in the amount of US\$5.97 million;
 - That unobligated appropriations at the close of the financial year 2022 may be carried forward into the 2023 financial year up to an amount not exceeding 3 per cent of the corresponding appropriations.

The Executive Board also recommended the submission of the following to the forty-sixth session of the Governing Council for information:

- The substance of the progress report on IFAD's participation in the Heavily Indebted Poor Countries Initiative, as contained in part three of the present document; and
- A progress report on the implementation of the performance-based allocation system and 2023 lending terms, based on the report provided in part four of the present document.

⁴⁸ At its 134th session the Executive Board approved the preparation and submission of the IFAD regular budget on a cost classification basis, and the reflection of the decision into the Governing Council resolution for approval of the administrative budget of IFAD. [EB 2021/134/R.7](#).

Draft resolution .../XXXXX

Administrative budget comprising the regular budget and capital budgets of IFAD and an Independent Office of Evaluation of IFAD budget for 2023

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 137th session, the Executive Board reviewed and agreed upon a programme of loans and grants of IFAD for 2023 at a level of SDR 1,172 million (US\$1,548 million), which comprises a lending programme of SDR 1,145.5 million (US\$1,513 million) and a gross grant programme of SDR 26.5 million (US\$35 million);

Having considered the review of the 137th session of the Executive Board concerning the proposed regular budget, capital budget and the Independent Office of Evaluation of IFAD budget for 2023;

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 3 per cent cap for carrying forward unspent balances arising from savings achieved in 2022 into the 2023 financial year to support delivery of certain corporate priorities;

Approves the administrative budget comprised of, first: the regular budget of IFAD for 2023 in the amount of US\$175.7 million, which has been prepared on a cost classification basis and that includes US\$78.75 million of management resources to cover indirect costs and US\$96.96 million of programme resources to cover direct costs; second, the capital budget of IFAD for 2023 in the amount of US\$6.5 million; and third, the budget of the Independent Office of Evaluation of IFAD for 2023 in the amount of US\$5.97 million, as set forth in document GC 46/L.6, determined on the basis of a rate of exchange of EUR 0.923:US\$1;

Determines that, in the event the average value of the United States dollar in 2023 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 2023 bears to the budget exchange rate; and

Further approves that unobligated appropriations at the close of the financial year 2022 may be carried forward into the 2023 financial year up to an amount not exceeding 3 per cent of the corresponding appropriations.

Indicative list of countries with projects in the pipeline for 2023 (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>
New projects				
Burkina Faso	Angola	Bangladesh (2)	Argentina	Djibouti
Cabo Verde	Comoros	Cambodia	Bolivia (Plurinational State of)	Egypt
Central African Republic	Eritrea	India	Brazil	Morocco
Côte D'Ivoire	Eswatini	Indonesia	Colombia (2)	Sudan
Gambia (The)	Kenya	Nepal	El Salvador	Türkiye
Niger	Mozambique	Pakistan	Haiti	Uzbekistan
Nigeria	Rwanda	Philippines	Mexico	
Senegal	United Republic of Tanzania		Peru	
Sierra Leone				
9	8	8	9	6
Additional financing proposals				
Benin/Togo	Burundi	Indonesia (2)		
Burkina/Chad/Senegal	Malawi			
Chad (2)	South Sudan			
Congo				
Ghana				
Mauritania				
7	3	2	0	0
Total new projects				40
Total additional financing				12
Total investments				52

Source: Grants and Investments Project System as at 25 August 2022.

Indicative breakdown of 2023 regular budget by results pillar and institutional output group

(Millions of United States dollars)

Pillar	2021		2022		2023	
	US\$	% of total	US\$	% of total	US\$	% of total
Pillar 1 – Country programme delivery						
Country strategies and programmes	7.30	5	6.87	4	6.22	4
Design of new loan and grant financed projects	13.26	8	14.65	9	25.26	14
Supervision and implementation support	27.98	18	28.29	18	31.46	18
Enable and support	21.48	13	21.62	14	26.89	15
Enabling management functions	2.58	2	2.52	2	3.02	2
Country-level policy engagement	2.34	1	2.05	1	1.87	1
Allocable corporate costs	2.55	2	2.21	1	2.23	1
Subtotal pillar 1	77.50	49	78.20	49	96.96	55
Pillar 2 – Knowledge building, dissemination and policy engagement						
Corporate knowledge and research	3.57	2	4.58	3	1.34	1
Communication and outreach	5.71	4	5.01	3	5.30	3
South-South and Triangular Cooperation	0.98	1	0.77	0	0.87	0
Impact assessments	1.01	1	1.75	1	2.28	1
Global policy engagement and global partnerships	4.04	3	5.54	3	3.93	2
Enable and support	3.39	2	4.09	3	1.46	1
Enabling management functions	0.93	1	1.01	1	1.29	1
Allocable corporate costs	0.00	0	0.00	0	0.00	0
Subtotal pillar 2	19.63	12	22.75	14	16.48	9
Pillar 3 – Financial capacity and instruments						
Replenishment	1.00	1	1.14	1	0.19	0
Resource mobilization and management of additional resources	3.48	2	4.27	3	4.12	2
Corporate financial management and reporting	0.97	1	1.07	1	1.27	1
Corporate fiduciary and financial risk management	2.62	2	2.65	2	0.56	0
Corporate controllership	0.65	0	0.62	0	0.42	0
Financial projections, products, strategic and operational liquidity planning/management	1.12	1	0.26	0	0.50	0
Investment portfolio management	0.56	0	0.54	0	0.59	0
Enable and support	4.62	3	5.07	3	2.34	1
Enabling management functions	1.53	1	1.38	1	1.29	1
Allocable corporate costs	0.00	0	0.00	0	0.18	0
Unallocable corporate costs	0.20	0	0.20	0	0.00	0
Subtotal pillar 3	16.74	11	17.19	11	11.46	7
Pillar 4 – Institutional functions, services and governance						
Enabling information technology environment	5.13	3	5.03	3	6.04	3
Client-oriented transaction services	0.98	1	0.84	1	0.62	0
Effective and sustainable administrative services	2.03	1	2.01	1	1.91	1
Headquarters security services	1.30	1	1.58	1	1.36	1
Effective and sustainable facilities management	2.85	2	2.92	2	3.21	2
Human resources management	5.46	3	6.16	4	5.51	3
Corporate planning, budgeting and reporting	3.55	2	3.51	2	0.63	0
Internal oversight and risk management	3.63	2	5.86	4	5.59	3
Corporate legal services	0.47	0	0.51	0	3.41	2
IFAD management functions	1.33	1	1.64	1	3.16	2
In-house communications	0.33	0	0.29	0	0.00	0
Ethics Office	0.65	0	0.60	0	0.61	0
Governing Bodies	4.86	3	5.02	3	3.83	2
Membership and protocol	0.81	1	0.87	1	0.57	0
Enable and support financial institutional functions	1.62	1	3.79	2	2.51	1
Enabling management functions	2.60	2	2.32	1	3.95	2
Allocable corporate costs	3.20	2	1.14	1	3.49	2
Unallocable corporate costs	4.75	3	4.70	3	4.42	3
Subtotal pillar 4	45.55	29	48.78	31	50.81	29
Total	159.41	100	166.93	100	175.71	100

Capital budget, 2016-2022

(Thousands of United States dollars)

	2016	2017	2018	2019	2020	2021	2022	Total
ICT initiatives								
Loans and grants	-	-	-	-	175	419	-	594
Human resources reform	480	286	-	-	-	-	-	766
ICO infrastructure enhancement – IT and communications	-	-	-	-	-	260	-	260
Institutional efficiency	975	775	-	210	200	-	600	2760
Delivering as One	-	-	-	-	-	-	-	0
Knowledge management	-	-	-	-	-	1 015	400	1415
IT infrastructure	470	890	900	640	981	1 515	1 490	6886
Budget and planning systems	375	-	-	150	-	-	-	525
Transparency/accountability	-	-	500	-	-	110	120	730
Borrowing and financial systems	-	-	300	1 250	2 045	2 044	790	6429
Corporate analytics	-	-	150	195	-	737	530	1612
Subtotal ICT initiatives	2 300	1 951	1 850	2 445	3 401	6 100	3 930	21 977
Non-IT headquarters projects	-	-	-	100	541	-	240	881
Non-IT ICO projects (incl. Decentralization Priority Plan)	-	-	-	-	-	375	1 970	2345
ICO security and vehicles/MOSS compliance**	100	454	100	100	500	275	360	1889
Total	2 400	2 405	1 950	2 645	4 442	6 750	6 500	27 092

* MOSS = United Nations Minimum Operating Security Standards.

2022 Carry-forward funds allocation

(Thousands of United States dollars)

		2022
<i>Department</i>	<i>Description of use of carry-forward funds</i>	<i>5% carry-forward</i>
CSD	Election and appointment of IFAD's President (rental of conference structure, administrative services like security and medical services, contractors' support, recruitment and relocation costs for D2.0 and FSU, comprising one-time and recurrent D2.0 costs.	4 748 887
ERG	Election and appointment of IFAD's President (conference facilities, interpreters and language services, technical coordinator), engagement and participation in high-level global events including media and outreach and IFAD13 preparations (visits to Member State capitals, engagement with donor countries, consultations and technical dialogues).	907 400
CSSG	Funding for six pilots from 2022 Innovation Challenge, internal audit programme of work supplement, budgeting process redesign, Global Emerging Markets Risk Database Consortium, NSO operations and awareness video on sexual exploitation and abuse.	766 493
PMD	PMD staff induction & global operations retreat, opening of Kenya Regional office, ESA and WCA ICO costs and temporary administrative support for NEN and LAC offices in the field.	760 050
OPV	Senior Management team-building activities and travel engagements for IFAD's president.	272 142
Total		7 454 972

IOE Results Management Framework for 2022⁴⁹

Table 1

IOE key performance indicators for 2022

<i>Key performance indicator</i>	<i>Baseline</i>	<i>Target</i>	<i>Achievement</i>	<i>Notes</i>
Adoption of evaluation findings and recommendations				
1. Percentage of recommendations partially or fully agreed	99% (year 2020 President's Report on the Implementation Status of Evaluation Recommendations and Management Actions [PRISMA])	95%	94% fully agreed and 6% partially agreed, according to PRISMA 2022	Available via PRISMA
2. Percentage of agreed recommendations on higher-plane evaluations implemented satisfactorily and in a timely manner	n.a.	90%	To be reported in 2023	Based on biannual verification by IOE on higher-plane evaluations
Coverage of IFAD programmes				
3. Number of higher-level evaluation reports (corporate-level evaluations [CLEs], thematic evaluations [TEs], evaluation syntheses, country strategy and programme evaluations [CSPEs] and subregional evaluations [SREs]) published during the past 12 months	6	7-8	7	Computed on an annual basis
4. Proportion of active countries covered through subregional and country-level evaluations, project performance evaluation (PPE), impact evaluations and project cluster evaluations (PCEs) on a two-year basis	25% ⁵⁰ (years 2019-2020)	28-33%	31.9% (2021-2022) ⁵¹	Computed on a biannual basis
Engagement, outreach and feedback received				
5. Feedback received from the Executive Board and subsidiary bodies	n.a.	Tracked	Feedback is recorded in Evaluation Committee and Executive Board minutes and provides supportive remarks	To be reported on in qualitative terms

⁴⁹ Drawn from IOE's multi-year strategy.

⁵⁰ Countries covered via CSPEs: 10. Countries covered by PPEs: 13. Average active countries in 2019-2020: 92.

⁵¹ Countries covered by SREs: 6. Countries covered by CSPEs: 9. Countries covered by PPEs: 9. Countries covered by PCEs: 6. Number of countries with an active portfolio in 2021-2022: 94.

			(examples in annex X)	
6. Feedback received from the Evaluation Advisory Panel on evaluation quality	n.a.	Tracked	To be presented in Evaluation Advisory Panel annual report	To be reported on in qualitative terms
7. Engagement events with Management and governments and feedback received	n.a.	Tracked	Per statements made at learning events (examples in annex X)	To be reported on in quantitative and qualitative terms
8. Number of visits to the IOE website (past 12 months)	77 380 (year 2019)	80 000	135 000	Data available from IFAD Communications Division
9. Number of learning events (co-)organized by IOE (past 12 months)	8 (year 2019)	10	14	Includes events at IFAD and those open to the public
10. Score assigned IOE by the gender United Nations system-wide Action Plan (UN-SWAP) annual review ⁵²	Score of 10.4/12 (year 2020)	Score equal to or above 9.0/12 (the threshold for exceeding requirements)	Score obtained in 2021: 10.9 (exceeds requirements) Score for 2022 will be available in early 2023	
Utilization of resources and cost-effectiveness				
11. Percentage of non-staff budget utilized	98.7% (2020)	95-100%	97.13% (2021)	
12. Ratio of IOE budget to the programme of loans and grants	0.62% (year 2020)	≤0.90%	0.50% (2022)	The 0.90% cap was decided by the Executive Board in 2008
13. Ratio of IOE budget to IFAD administrative budget	3.64%	Tracked	3.45% (2022)	

⁵² The UN-SWAP Gender Equality and the Empowerment of Women is a United Nations system-wide accountability framework designed to measure, monitor and drive progress towards a common set of standards to which to aspire and adhere for the achievement of gender equality and the empowerment of women. It applies to all United Nations entities, departments and offices.

IOE proposed evaluation activities for 2023

Table 1

Proposed IOE work programme for 2023 by type of activity

<i>Type of work</i>	<i>Proposed activities for 2023</i>	<i>Start date</i>	<i>Expected finish date</i>
1. Corporate-level evaluations and reviews	Knowledge management (completion)	June-22	Dec-23
	Decentralization (to be completed in 2022, with presentation to governing bodies and related knowledge events planned for 2023)	June-21	Apr-23
	Review of the Results Management Framework for IFAD12	Jan-23	Sep-23
	Ex post review of implementation progress on selected CLE recommendations (CLE financial architecture)	Jan-23	Sep-23
2. TEs	Gender (completion)	June-22	Dec-23
	IFAD's support to food security and nutrition	June-23	Oct-24
3. SREs	Dry Corridor in Central America	June-23	Oct-24
4. CSPEs	Ethiopia (completion)	June-22	June-23
	Haiti (on hold)	Dec-23	Dec-24
	China (completion)	June-22	June-23
	Argentina	Jun-23	Jun-24
	India	Jan-23	Dec-23
	Mauritania	Jun-23	Jun-24
	Rwanda	Jan-23	Dec-23
	Türkiye	March-23	March-24
	Dominican Republic	Dec-23	Dec-24
5. Project completion report validations (PCRVs)	Validation of all project completion reports (PCRs) available in the year	Jan-23	Dec-23
6. PPEs	Bosnia and Herzegovina, Rural Competitiveness Development Programme	Jan-23	Dec-23
	Chad, Project to Improve the Resilience of Agricultural Systems	Jan-23	Dec-23
	Solomon Islands, Rural Development Programme – Phase II	Jan-23	Dec-23
7. PCEs	Rural finance projects in the East and Southern Africa region	June-22	Sept-23
8. Engagement with governing bodies	Review of implementation of IOE's results-based work programme and budget for 2023 and preparation of results-based work programme and budget for 2024 and indicative plan for 2025-2026	Jan-23	Dec-23

<i>Type of work</i>	<i>Proposed activities for 2023</i>	<i>Start date</i>	<i>Expected finish date</i>
	Annual Report on the Independent Evaluation of IFAD	Jan-23	Sept-23
	IOE comments on the PRISMA	Jan-23	Sept-23
	IOE comments on the Report on IFAD's Development Effectiveness (RIDE)	Jan-23	Sept-23
	IOE comments on policies and strategies by Management	Jan-23	Dec-23
	Participation in Evaluation Committee, Executive Board and Governing Council sessions, selected Audit Committee meetings and the 2023 Board country visit	Jan-23	Dec-23
	Annual workshop with the Evaluation Advisory Panel	Jan -23	July-23
	IOE comments on country strategic opportunities programmes (COSOPs) when related CSPEs are available	Jan-23	Dec-23
9. Communication and knowledge management activities	Evaluation reports, IOE website and communication activities	Jan-23	Dec-23
	Communicate the evaluation findings and disseminate the lessons and promote the utilization of evaluations	Jan-23	Dec-23
	gLocal, EvalForward and other knowledge management platforms	Jan-23	Dec-23
10. Partnerships	Evaluation Cooperation Group (ECG), United Nations Evaluation Group (UNEG); Rome-based agency (RBA) collaboration	Jan-23	Dec-23
	Global Evaluation Initiative	Jan-23	Dec-23
	Hosting annual meeting of the International Research Group for Policy and Programme Evaluation	Jan-23	Jun-23
	Collaboration with universities and think tanks	Jan-23	Dec-23
	Contribution as external peer reviewer to evaluations by other multilateral and bilateral organizations as requested	Jan-23	Dec-23
11. Methodology	Dissemination of new evaluation manual	Jan-23	June-23
	Annual workshop of the Evaluation Advisory Panel	Jan-23	Jun-23
12. Evaluation capacity development (ECD)	Engagement in ECD in the context of the Global Evaluation Initiative	Jan-23	Dec-23
	Organization of workshops in partner countries (as per request) on evaluation methodologies and processes	Jan-23	Dec-23

IOE's indicative plan for 2024-2025

Table 1
IOE indicative plan for 2024-2025 by type of activity*

Type of work	Indicative plan for 2024-2025	Year	Remarks
1. CLEs	Comprehensive evaluation of IFAD11 and IFAD12 and review of the relevance of IFAD13	2024 - 2025	This is planned to be a broad evaluation of the progress made on IFAD11 and IFAD12 and an early assessment of the relevance of the strategic directions of IFAD13. Benefiting from a review of previous evaluations and building on new evidence, this evaluation will cover IFAD's strategic directions, operational performance, evolving financial architecture and institutional efficiency. To be completed in 2025, it will inform the IFAD14 preparation process.
	Human resource function of IFAD	2025-2026	To review human resource policy rules and their implementation and how they support the institutional performance and development effectiveness of IFAD.
	External engagements of IFAD	2025-2026	To review international global partnerships and initiatives in which IFAD is involved, as well as related funding sources, their management arrangements and their contribution to further IFAD's mandate.
2. TE	IFAD's support to the private sector	2025-2026	IFAD's private sector engagement strategy was approved in 2019 and Management will conduct a midterm review in 2022-2023. This TE will provide an assessment of IFAD's private sector operations.
3. Subregional evaluations	Small island development states in the Pacific (or broader coverage)	2024 - 2025	This subregional evaluation may focus on the Pacific subregion or have broader coverage.
	Conflict-affected states in the Near East and North Africa region	2024 or 2025	
4. CSPE	Guinea	2024	
	Djibouti	2024	
	Viet Nam	2024	
	Zimbabwe or Mozambique	2024	
	Jordan	2025	
5. PCRVs	Validate all PCRs available in the year	2024-2025	
6. PCEs	Water management in the NEN region	2025-2026	
7. PPEs	About 4-6 PPEs per year	2024-2025	
8. Engagement with governing bodies	Annual Report on the Independent Evaluation of IFAD	2024-2025	
	Ex post review of implementation of recommendations of selected strategic evaluations	2024-2025	

<i>Type of work</i>	<i>Indicative plan for 2024-2025</i>	<i>Year</i>	<i>Remarks</i>
	Preparation of the results-based work programme and budget for 2025, and indicative plan for 2026-2027	2024-2025	
	IOE comments on the PRISMA	2024-2025	
	IOE comments on the RIDE	2024-2025	
	IOE comments on selected IFAD operational policies and strategies prepared by Management for consideration by the Evaluation Committee	2024-2025	
	Participation in all sessions of the Evaluation Committee, Executive Board and Governing Council, and the annual country visit of the Board	2024-2025	
	Annual workshop with the Evaluation Advisory Panel	2024-2025	
	IOE comments on COSOPs when related country programme evaluations/CSPEs are available	2024-2025	
	Evaluation reports, IOE website and communication activities	2024-2025	
9. Communication and knowledge management activities	Communicate the evaluation findings and disseminate the lessons	2024-2025	
	Promote utilization of evaluations	2024-2025	
	gLocal, EvalForward and other knowledge management platforms	2024-2025	
	ECG, UNEG	2024-2025	
	Global Evaluation Initiative	2024-2025	
10. Partnership	RBA collaboration on evaluation	2024-2025	
	Contribute as external peer reviewer to key evaluations by other multilateral and bilateral organizations as requested	2024-2025	
	Collaboration with universities and think tanks	2024-2025	
11. ECD	Capacity development for member countries	2024-2025	

* The topics and number of TEs, CLEs, CSPEs, PCEs, SREs and evaluation synthesis reports (ESRs) are tentative; actual priorities and numbers of activities to be undertaken in 2024 and 2025 will be reviewed in 2023 and 2024, respectively.

IOE products

1. This annex presents the spectrum of IOE products between 1 March 2021 and 30 June 2022, and documents the progress in the areas of leadership and strategy, advancing established outputs, generating new products, improving staff capability and communications. The work has focused both internally and externally, noting that IOE operates within a global oversight architecture with the independent evaluation and oversight functions of other international financial institutions and the United Nations Evaluation Group.

A. Expand and deepen IOE's leadership role in building global evaluations

2. A set of initiatives seeking to advance the quality of evaluations in IFAD overall were completed, each of which introduces an element to support effective planning, common terminological and methodological understanding, and advance the capacity of staff.

Improvement of IOE evaluation quality

- **[Multi-Year Evaluation Strategy of the Independent Office of Evaluation of IFAD](#)**. For the first time, the work of IOE is guided by a multi-year evaluation strategy. The strategy spans a period of six years from 2022 to 2027 (IFAD12 and IFAD13). IOE will conduct a review at midterm, to reflect priorities that will be agreed in the context of IFAD13 as well as to learn from the experience of the first three years.
- **[Revised IFAD Evaluation Policy](#)**. The new policy presents, for the first time, a comprehensive framework through which self-evaluation (conducted under the aegis of Management) and independent evaluation will be planned, conducted and used. The revised policy also seeks to promote complementarity and synergy between the two.
- **[Evaluation Manual, third edition](#)**. The manual implements IFAD's 2021 evaluation policy to which it is aligned. It seeks to renew, update and consolidate current guidelines. For the first time, the manual provides a comprehensive institution-wide approach through which self- and independent evaluation will be planned, conducted and used.
- **IOE Evaluation Advisory Panel** [[here](#)] [[here](#)]. Comprising internationally renowned leaders in the field of evaluation, the newly established Evaluation Advisory Panel provides the IOE Director with systematic advice, by reviewing and commenting on various aspects of IOE's work to enhance the professionalism of the evaluation function. The panel also serves as a "critical friend", drawing on its substantive experience and expertise to help improve IOE's independence, credibility and utility.

Professionalization

- **Global evaluation networks**. IOE has formal membership in three global professional evaluation networks comprising the United Nations and international financial institutions. These are the [United Nations Evaluation Group](#), the [Evaluation Cooperation Group](#) and the [Global Evaluation Initiative](#).
- **Information and communications technology for evaluation**. In the forthcoming years, IOE plans to make more systematic usage of information and communications technology for evaluation. In 2021, IOE conducted a stocktaking of its own experience, on progress made at IFAD and in evaluation offices of major multilateral organizations. This resulted in an assessment of available options in order of importance and time priority. This will help orient IOE directions in the future.

Participation

- [IOE-led seminars and events, and global invitations](#). IOE organized and co-hosted five international seminars and events, in addition to which IOE staff have been invited to deliver presentations and participate in 25 international events. These efforts have helped forge evaluation coalitions to improve IFAD effectiveness.
- [Evaluation Advisory Panel seminars](#). IOE hosted five seminar presentations, delivered by the members of the Evaluation Advisory Panel.
- [Coffee Talk series](#). IOE hosted 24 sessions of its Coffee Talk series, aimed at providing an informal forum in which to address a variety of evaluation-related topics.

Publication

IOE staff members authored, co-authored and edited the following books, peer-reviewed journal articles and publications:

- [Transformational Change for People and the Planet](#), book published by Springer. Indran A. Naidoo, Suppiramaniam Nanthikesan and Prashanth Kotturi among co-authors
- [Evaluation in Contexts of Fragility, Conflict and Violence](#), book published by the International Development Evaluation Association (IDEAS). Simona Somma among co-authors
- [Transformational Evaluation for the Global Crises of Our Times](#), book published by IDEAS. Fabrizio Felloni among co-authors
- [Japanese Journal of Evaluation Studies, volume 21, number 2](#). Indran A. Naidoo authored an article
- [Evaluations under COVID-19: How the Pandemic Affected the Evaluation of the Performance of the Coastal Climate Resilient Infrastructure Project in Bangladesh, and What We Learned](#), article published by the African Development Bank, co-authored by Fabrizio Felloni

B. Improve evaluation coverage

The IOE Director provided oversight for the publication of 32 evaluation reports, covering US\$900 million of IFAD financing, and the design of three new evaluation products.

Evaluation reports published

- [Annual Report on Results and Impact of IFAD Operations \(ARRI\)](#). The primary objective of the ARRI is to report on all IOE evaluation activities in a given year, and present a synthesis of IFAD's performance, lessons and challenges. Its main users are Senior Management, directors, staff of regional and technical divisions, and members of IFAD's governing bodies. During the reporting period, IOE published the 2021 ARRI.
- [Corporate-level evaluations \(CLEs\)](#). The primary objective of a CLE is to assess the organizational performance and institutional effectiveness of IFAD. Its main users are Senior Management, directors, staff of regional and technical divisions, and members of IFAD's governing bodies. During the reporting period, IOE published the Joint Evaluation on the Collaboration among the United Nations Rome-based Agencies.
- [Evaluation synthesis reports \(ESRs\)](#). The primary objective of an ESR is to contribute to knowledge generation by consolidating findings from past evaluations. Its main users are Senior Management, directors, staff of regional and technical divisions, and members of IFAD's governing bodies. During the reporting period, IOE published two ESR reports, namely the ESR:

Infrastructure at IFAD; and the ESR: Government performance in IFAD-supported operations.

- **Country strategy and programme evaluations (CSPEs).** The primary objective of a CSPE is to assess performance and results of country strategy and operations, and provide lessons and recommendations to guide the preparation of the next country strategy. Its main users are divisional and country directors, country teams, and governments. During the reporting period, IOE published five CSPE reports: [Morocco CSPE](#); [Uganda CSPE](#); [Niger CSPE](#); [Pakistan CSPE](#); and [Burundi CSPE](#).
- **Impact evaluations (IEs).** The primary objective of an IE is to provide a rigorous quantitative assessment of the impact on rural poverty of selected IFAD operations. Its main users are regional and country directors, technical advisers, operational staff, and government counterparts. During the reporting period, IOE published the [Ethiopia IE](#).
- **Project performance evaluations (PPEs).** The primary objective of a PPE is to assess the performance and results of project-level operations funded by IFAD. Its main users are regional and country directors, technical advisers, operational staff and government counterparts. During the reporting period, IOE published seven PPE reports: [Uzbekistan](#); [Indonesia](#); [Senegal](#); [Uganda](#); [Dominican Republic](#); [Tajikistan](#); and [Bangladesh](#).
- **Project completion report validations (PCRVs).** The primary objective of a PCRV is to validate the project completion reports prepared by Management. Its main users are IOE and Management for reporting and feedback. During the reporting period, IOE published 13 PCRV reports: [Uganda](#); [Mozambique](#); [Guinea](#); [Nepal](#); [Fiji](#); [El Salvador](#); [Ethiopia](#); [Azerbaijan](#); [Senegal](#); [Burundi](#); [Viet Nam](#); [Peru](#); [China](#); and [Rwanda](#). In addition, the Director has approved five further PCRV reports.

New evaluation products designed

- **Thematic evaluations (TEs).** The primary objective of a TE is to provide evidence of development effectiveness, performance and results of operations in a thematic topic. Its main users are Senior Management, directors, staff of regional and technical divisions, and members of IFAD's governing bodies. During the reporting period, IOE conducted a TE of IFAD support to smallholder farmers' adaptation to climate change. The report will be published during the course of 2022.
- **Subregional evaluations (SREs).** The primary objective of an SRE is to assess strategy, common intervention approaches and IFAD organizational set-up in a set of countries that share salient characteristics. Its main users will be regional and country directors, technical advisers, operational staff and government counterparts. IOE's first SRE will be published during the course of 2022.
- **Project cluster evaluations (PCEs).** The primary objective of a PCE is to assess the experience of several projects that have a common theme or common major component. Its main users will be regional and country directors, technical advisers, operational staff and government counterparts. IOE's first PCE, on rural enterprises, will be published during the course of 2022.

C. Engage strategically with IFAD governance and Management

3. IOE has placed increasing emphasis on engagement with Member States and Management, with a view to further promoting learning, accountability and reflection through independent evaluation. These efforts have taken shape through a series of briefings to donor and programme countries, corporate learning workshops, country learning workshops, and an Executive Board field mission.

Country briefings

4. IOE delivered 18 tailored briefing packages to members of the Evaluation Committee and non-borrowing members of the Executive Board. The reports present the commitment of IOE to transparent and proactive communication, based on Board-approved evaluation policy, strategy and requests.

Corporate learning workshops

5. IOE organized five corporate learning workshops, with the involvement and participation of IFAD Senior Management, regional and country directors, and other staff members: the [2021 ARRI](#), 11 November 2021; [ESR on infrastructure at IFAD](#), 26 March 2021; [TE of IFAD's support to smallholder farmers' adaptation to climate change](#), 19 May 2022; the [2022 IFAD Evaluation Manual](#), 2 June 2022; and [ESR on government performance in IFAD-supported operations](#), 3 June 2022.

Country learning workshops

6. IOE organized nine country learning workshops, with the involvement and participation of government representatives, national partner agencies, IFAD staff and international development agencies, including multilateral and bilateral partners. Workshops included: [Morocco](#), 3 February 2021; [Uganda](#), 5 February 2021; [Niger](#), 15 April 2021; [Burundi](#), 24 May 2021; [Pakistan](#), 2 June 2021; [Eswatini](#), 28 January 2022; [Uzbekistan](#), 24 February 2022; [Indonesia](#), 18 March 2022; and [Malawi](#), 17 May 2022.

Executive Board field missions

7. The IOE Director joined a high-level delegation of IFAD's Executive Board members and IFAD senior staff for a [five-day working visit to Egypt](#), from 23 to 28 October. During the mission, the delegation met with high-level government officials, and travelled to IFAD-supported projects in the country to see progress and meet with community members and rural farmers.

D. Enhance IOE strategic communication, outreach and knowledge management

8. Over the past 12 months, IOE has repositioned its brand identity. A range of new communication resources now defines IOE's visual persona, embodying its independent stature. Through this assortment of new products, IOE is building safe spaces for user interaction, which invite its stakeholders to continuously reach out and engage with IOE products in a more accessible manner.

New communication products

- [Independent Magazine](#). As IOE's flagship communication product, Independent Magazine brings to the forefront of the global development dialogue the major efforts undertaken by IOE, while seeking to advance IFAD's vision of vibrant, inclusive and sustainable rural economies, where people live free from poverty and hunger. During the reporting period, the first three editions of the magazine reached over 14,000 readers in 84 countries, across all continents.
- **IOE website**. The website, for which IOE maintains full intellectual ownership, is structured to best meet the specific needs of IOE, with the adoption of dynamic functionalities that maximize opportunities for user engagement. It also ensures an intuitive, easy navigation experience as IOE moves forward in building evaluation capacity across IFAD, advancing the IOE conduct model, and building bridges through evaluation dialogues to enhance understanding and improve performance.
- **IOE logo**. The new IOE logo adopts a strong visual identity that ensures continuity with IFAD's image while providing scope for a clear, coherent and visually independent brand image.

- **[Video series: 60 seconds with the Director](#)**. The new video series offers easy-to-digest insights into the IOE Director's perspectives on a number of salient, evaluation-related issues.
- **Advisory Panel seminar series**. Each instalment of the previously presented seminar series is captured through two new communication products, namely the fact sheets and re-live videos.
- **IOE Coffee Talk series**. Each instalment of the previously presented talk series is captured through new fact sheets.
- **IOE blogs**. The new blogs advance IOE's critical thinking vis-à-vis issues at the heart of the international evaluation debate, stimulating thought-provoking dialogue and debate.

Existing communication products enhanced during 2021

- **Social media**. IOE has relaunched its strong, active and vibrant social media presence. Stakeholders are updated in real-time of the latest evaluation endeavours and are able to interact with IOE in an ongoing and fluid fashion [[here](#)] [[here](#)].
- **IOE newsletter**. IOE has re-engineered its newsletter, to ensure optimal alignment with its new visual identity and strategic approach to communications. The broad readership of the newsletter ensures that IOE stakeholders have quick access to the latest outputs.
- **Infographics**. IOE's re-envisaged infographics offer an invaluable compendium to its evaluation reports. Each infographic presents soundbite report extracts, packaged in visually appealing solutions.

Summary infographic

2021/22



IOE | **LIFAD**
Investing in rural people
Independent Office of Evaluation

Engage strategically with IFAD governance & management

Expand IOE learnership in building global evaluations

Improve evaluation coverage



18 Briefing packages to members of the Evaluation Committee and non-borrowing members of the Executive Board.

5 Corporate learning events



9 Country learning workshops

High-level IFAD delegation mission to Egypt



IMPROVE IOE EVALUATION QUALITY

- Multi-year Evaluation Strategy
- Revised IFAD evaluation policy
- Evaluation manual 3rd edition
- Evaluation Advisory Panel

PROFESSIONALIZATION

- Membership of global networks (UNEG, GEI, ECG)
- 4 International seminars hosted by IOE
- IOE staff invited to deliver presentations in 14 international events

STRATEGIC COMMUNICATION

- Independent Magazine: n. countries > 80, n. readers > 8,500
- Website
- Logo
- Video series (60 episodes)

EVALUATION REPORTS APPROVED

- 5 Country Strategy & Programme
- 7 Project Performance
- 19 Project Completion Report Validation

NEW PRODUCTS DESIGNED

- Thematic evaluation**: Effectiveness, performance & results in a thematic topic.
- Sub-regional evaluation**: Strategy, interventions & set-up in set of countries.
- Project cluster evaluation**: Assess projects that have common theme or major component.

Examples of feedback from governing bodies and Management received by IOE

Table 1
Examples of feedback from governing bodies

<p>CSPE Burundi</p> <p>“The Evaluation Committee welcomed this first CSPE for Burundi, covering the period from 2009 to 2020, together with the agreement at completion point signed by the Government and IFAD Management, as contained in document EC 2022/116/W.P.2. Committee members commended the high quality of the evaluation, particularly considering the challenges presented by the ongoing COVID-19 pandemic.”</p> <p>CSPE Eswatini</p> <p>“The Evaluation Committee welcomed this first CSPE for Eswatini, covering the period from 2000 to 2021, as contained in document EC 2022/116/W.P.3, together with the agreement at completion point signed by the Government and IFAD Management, as contained in the addendum.</p> <p>Members took note of the statement delivered on behalf of the Government of Eswatini by His Excellency Vuyile Dlamini, Ambassador and Permanent Representative-designate to the United Nations agencies in Rome.</p> <p>Committee members commended the evaluation team for their thorough work, and agreed with the recommendations made and the proposed follow-up actions. The findings and lessons learned from the evaluation should inform the next COSOP.”</p> <p>Evaluation Synthesis on Government Performance</p> <p>“The Evaluation Committee welcomed the evaluation synthesis report on government performance in IFAD-supported operations, as contained in document EC 2022/116/W.P.4, together with Management’s response, as contained in the addendum.</p> <p>Given the importance of the topic, members proposed that a discussion on the synthesis evaluation be held during the upcoming Executive Board session. Both IOE and Management welcomed the proposal. Recommendations had not been included in the report. This was because evaluation syntheses do not always provide recommendations and, particularly for the subject in question, no one size fits all. Given its focus on learning, the report contained findings for Management’s consideration, to inform project design and implementation.”</p> <p>2022 Revised Evaluation Manual</p> <p>“The Evaluation Committee welcomed the update provided by IOE and Management on the progress made in the preparation of the Revised Evaluation Manual, as contained in document EC 2022/116/W.P.5.</p> <p>Committee members acknowledged how the Revised Evaluation Manual encompassed both IFAD’s self-evaluation and independent evaluation functions, forcing coherence between the two functions, and reflecting international best practices and standards, including those stemming from the 2030 Agenda.</p> <p>In terms of the content, members praised the emphasis on leaving no one behind, transformative change, social justice, gender intersectionality and climate resilience, and the strong focus on context and adaptability.</p> <p>At the same time, the need for attention to conflict and fragility was underlined in order to deepen institutional understanding of such contexts. Non-lending activities like knowledge management, partnership development and policy engagement were highlighted as key to building capacity and promoting country ownership. Generating lessons learned from these activities would inform future discussions on budget and build a case for resource allocation to these activities. Management was also encouraged to consider timeframes to measure impact and transformative results that were neither too short nor too long. Management advised that evaluation efforts would focus more on an intermediate timeframe since the use of indicators tracking outcome-level results in the medium term had become mandatory for projects approved under IFAD12.</p> <p>In response to the call for wider circulation of the Revised Evaluation Manual, beyond IFAD staff, IOE confirmed that the manual would be translated into all IFAD’s official languages and presented at international evaluation events. Part II of the manual, containing specific descriptions of evaluation products, would soon be rolled out and would cover joint evaluations. The manual should be thought of as a dynamic living document that will change and need to be adapted.”</p> <p>- Excerpted from the minutes of the 116th session of the Evaluation Committee, 17 March 2022</p>

Table 2

Examples of feedback from Management

“The report [Evaluation synthesis on government performance in IFAD-supported operations] was discussed at IFAD’s Evaluation Committee and later at the Executive Board and really got a lot of interest. I would possibly say some of the most interest we’ve had for any report. [...] I really, really welcome this report, I think it brings the spotlight on a number of really, really critical issues for impact and results. [...] From IFAD’s management perspective, we are very, very committed to working with governments to address the issues outlined in this report.”

- Donal Brown, Associate Vice-President, Programme Management Department (PMD) learning event: Evaluation synthesis on government performance in IFAD-supported operations (2010–2020)
3 June 2022

“I would like to highlight that there is a very productive collaboration that Management has had with IOE on evaluation topics and deliverables over the past few years. We have improved, quite significantly, our coordination, our knowledge-sharing, and the contributions to one another’s programmes and products. At the same time, of course, we have maintained the mutual independence, the separate roles, as per our separate mandates. [...] We look forward to the continued fruitful collaboration with IOE. We expect that exchanging strategic views and information will enhance the relevance and also the quality of evaluation products, and will ultimately boost the transformational impact on poor rural people.”

- Nigel Brett, Director, Operational Policy and Results Division (OPR)
gLOCAL learning event: The 2022 IFAD Evaluation Manual as a new tool for rural development practitioners
2 June 2022

“It has been a real pleasure for me to be here today, and to be part of such a constructive and dynamic discussion on IFAD investments in Malawi. Please be assured that the insights from the discussion as from the evaluation report itself will be internalized in our work as we move forward. I would also like to reiterate that, as a Division, East and Southern Africa strongly supports the findings and recommendations of this CSPE, and I thank IOE, particularly Johanna and her team, for the extensive efforts in compiling the report and organizing this important workshop.”

- Sara Mbago-Bhunu, Regional Director, East and Southern Africa Division (ESA)
Malawi country strategy and programme evaluation, virtual national workshop
17 May 2022

“The evaluation gives us an opportunity to take stock of the IFAD country programme in Uzbekistan, draw lessons from the experience, and – as we move forward – adjust to the weaknesses and build on the successes in the context of the rapidly evolving context of Uzbekistan. Management appreciates the recommendations provided by this evaluation and recognizes the need for stronger focus on areas such as knowledge management, partnership development and policy engagement. Furthermore, Management concurs with the assessment and the recommendations of the evaluation to continue embedding targeting strategies at the core of IFAD’s intervention, invest in robust monitoring and evaluation systems and enhance programme management support. In fact, this evaluation comes at the right time. The findings and lessons will inform the upcoming design of the new country strategic opportunities programme. [...] Let me close by expressing the hope that together we will use this evaluation to build a more relevant, effective and efficient IFAD country programme, that ultimately delivers the best possible development impact for the rural people of Uzbekistan.”

- Dina Saleh, Regional Director, Near East, North Africa and Europe Division
Uzbekistan country strategy and programme evaluation, virtual national workshop
24 February 2022

“We will continue to carefully consider the findings and recommendations provided by this evaluation, as well as in our work across the East and Southern Africa region, to which many of the findings are very pertinent. [...] I would like to reiterate our appreciation for this thorough evaluation.”

- Sara Mbago-Bhunu, Regional Director, ESA
Eswatini country strategy and programme evaluation, virtual national workshop
28 January 2022

“I always look forward to reading the CSPEs conducted by our Independent Office of Evaluation, as they really delve into the meat of our work to provide rich and constructive insights that hold us to account and help us to improve. This CSPE for Eswatini is no exception, and comes at the perfect time as we finalize IFAD’s new country strategic opportunities programme for the country for 2022-2027, as well as a new investment project scheduled to start in 2023. In this regard I am pleased to note that the recommendations from this CSPE have been well integrated into the country strategy document, which is currently in draft form.”

- Donal Brown, Associate Vice-President, PMD
Eswatini country strategy and programme evaluation, virtual national workshop
28 January 2022

"I really thought that was a fantastic panel discussion. On behalf of PMD, I want to say thank you very much to IOE for convening this learning event. We really highly appreciate the engagement with IOE on these learning moments as an important aspect of the evaluation function. I think this is really evident in the 2021 ARRI which provides a lot of insights into the performance of IFAD's portfolio, combining both the qualitative and the quantitative. It provides really relevant learning and advice on working in fragile situations. PMD really welcomes the overall findings and recommendations in the ARRI analysis. It provides an excellent long-term perspective. It's thorough, it's balanced, it looks at the strengths and also the weaknesses in a very constructive fashion. Management agrees with the conclusions, with the areas identified. These conclusions, this year – in previous years not so much – are very consistent with those in the RIDE. Management is very committed to identifying with IOE solutions to these issues".

- Nigel Brett, Director, OPR
Learning event on the 2021 ARRI
11 November 2021