IDRC | CRDI

Innovating for development
Canada's contribution



Annual Report 2011-2012

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE

Canada

Innovating for development 2011–2012

at March 31, 2012

$287.8 million in revenues

- $239.4 million from Parliament
- $46.4 million from donor contributions (includes $4.2 M recovery of administrative costs)
- $2.0 million from other revenue sources

4% of Canada's international assistance

$142.3 million for new research activities

13 donor partners

879 research activities, **115** in Canada

742 institutions supported, **97** in Canada

119 awards, **58** to Canadians

IDRC supports research in developing countries to reduce poverty, the goal of Canada's international development efforts. We promote growth and development and encourage sharing knowledge with policymakers, other researchers, and communities around the world. The result is innovative, lasting local — and global — solutions that aim to bring choice and change to those who need it most.

All monetary amounts in this Annual Report are in Canadian dollars unless otherwise stated.

Contents

WORLD BANK / CURT CARNEMARK

Message from the Chairperson

This past year, IDRC's Board of Governors had two priorities: the continued advancement of the Strategic Framework 2010-2015, and the implementation of IDRC's contribution to the Government of Canada's deficit reduction action plan. The objective was to work with management to ensure the achievement of both goals as seamlessly as possible.

In June 2011, the Board approved four new programs, two each in health policy and science and innovation. This completed the restructuring of the program architecture called for in the Strategic Framework. The thrust of this comprehensive framework — titled *Innovating for Development* — is to ensure that IDRC's support for research aligns with the changing problems of the world's poor regions and continues to advance broader Canadian government goals, notably in the areas of foreign policy, international development, and science and technology.

After careful planning, IDRC introduced deficit-reduction measures in late March, following the budget and just prior to the end of the fiscal year. Management avoided program cuts to the extent possible, but one of the new science and innovation programs was eliminated. Administration changes included the merging of two sub-Saharan Africa regional offices into one in Nairobi, and two Asian offices merged into the New Delhi office. Throughout the year, the Board provided high-level strategic advice and guidance to IDRC management on the planning and implementation of cost cutting measures.

As part of the action plan the size of the Board of Governors was reduced to 14 members. It is still imperative to ensure a strong mix of international research leaders and Canadians with experience in governance, finance, and scholarship. We believe we have accomplished that in the transition to the new governance environment.

All of us on the Board are proud that IDRC has been able to navigate this challenging period while holding fast to the Centre's core mandate: to deliver applied research support that helps developing countries increase prosperity, improve security, enhance food security, and ensure access to health services.

We are also mindful that IDRC remains deeply engaged with the Canadian research community. Our goal is to mobilize Canadian scholars to work with talented researchers in the developing world to solve development challenges. This also helps produce the body of knowledge, and the talented people Canada needs to become more innovative in its approach to development assistance.

During the year Claude-Yves Charron, Ged Davis, Andy Knight, and Andrés Rozental left our Board. We shall miss their valuable contributions to our deliberations. As always, I appreciate the excellent participation of IDRC's governors, the dedication of IDRC management, and the loyalty and hard work of all of IDRC's staff. ■

Barbara McDougall

The Honourable Barbara McDougall
Chairperson

Message from the President

IDRC completed a banner year through its programming in 2011-2012, reinforcing the Government's action through research touching on its development priorities.

IDRC

David Malone welcomes Ibrahim Gambari, head of the UN's Hybrid Operation in Darfur, to IDRC.

Canada is known throughout the world as a leader in agricultural research, which has played a prominent role in our country's own development. Fulfilling the Prime Minister's commitments at the G-8, IDRC and the Canadian International Development Agency continued to foster exciting partnerships between Canadians and developing countries toward diversifying crops and livestock to adapt to harsh climates, and supporting smallholder farmers (including women) to maximize food production and nutritional quality. At the Commonwealth Heads of Government Meeting in November, Prime Minister Harper announced a new $62 million contribution to the Canadian International Food Security Research Fund to achieve the results required to meet future global food demand.

The Prime Minister's Muskoka Initiative on maternal, newborn, and child health was a key commitment of the 2010 G-8 Summit hosted in Canada. Through Grand Challenges Canada, a government-funded consortium also involving the Canadian Institutes of Health Research and IDRC, we supported this Initiative by funding a global search for groundbreaking prevention and treatment approaches for pregnant women and newborns in poor communities. In addition, Grand Challenges Canada launched the "Saving Brains" program, chaired by Laureen Harper, to address the plight of up to 200 million children who fall victim to challenges such as malnutrition in their first 1,000 days.

I am particularly proud of the Think Tank Initiative, which invests $15 million of Canadian taxpayer support and leverages an additional $100 million from the William and Flora Hewlett Foundation, the Bill & Melinda Gates Foundation, and the United Kingdom and Dutch governments. The Initiative enables think tanks to better conduct sound research that informs and influences policy in the developing world. For example, in Ghana, the Institute of Economic Affairs is working with that country's Parliament on how to make sound use of new oil revenue. Now in its third year, the Initiative has attracted international acclaim and its partners have begun discussion toward its renewal in 2014.

These are only a few of our key programming results, and I invite you to explore the fuller range of IDRC's work on our website (www.idrc.ca).

It is a privilege to work for Canadians, addressing practical problems and helping to make developing countries more self-reliant. We, at IDRC, are very grateful for this honour. ■

David M. Malone
President and Chief Executive Officer

SUMMARY OF OPERATIONS

The year in review

Corporate profile

A Crown corporation, IDRC supports research in developing countries to promote growth and reduce poverty. We support innovators and their colleagues in Canada and around the world who generate new ideas to advance knowledge and solve practical challenges, making a real difference to people's lives and increasing opportunities.

This year was the second under our Strategic Framework 2010-2015, which sets directions to ensure that our programming responds to the priorities of Canada's international development, innovation, and science and technology agendas, as well as to evolving needs in developing countries.

Changes to IDRC's program architecture were completed this year with Board approval of program prospectuses in health policy and science and innovation.

Our programs address global challenges in four areas:

Agriculture and Environment

- Agriculture and Food Security
- Canadian International Food Security Research Fund
- Climate Change and Water
- Ecosystems and Human Health
- Environmental Economics

Global Health Policy

- Development Innovation Fund
- Global Health Research Initiative
- Governance for Equity in Health Systems
- Non-Communicable Disease Prevention

Science and Innovation

- African Institute for Mathematical Sciences
- IDRC Challenge Fund
- Information and Networks
- Innovation for Inclusive Development *(closed March 30, 2012)*

Social and Economic Policy

- Governance, Security, and Justice
- Supporting Inclusive Growth
- Think Tank Initiative

During the past year, we received $239 million in Parliamentary appropriation revenues. This represented about 83% of our 2011-2012 revenues and 4% of Canada's international assistance. IDRC also joins forces with Canadian and international funders. As of March 31, 2012, we were involved in 28 donor contribution agreements with 13 partners, worth $267.2 million at signature. During 2011-2012, $171.1 million of our development research programming was funded by Parliamentary appropriation, and $42.1 million from donor contributions. We were supporting 879 research activities as of March 31.

IDRC's head office is in Ottawa. In 2011-2012, we maintained six regional offices across the developing world: in 2012-2013, the two offices each in sub-Saharan Africa and Asia will be consolidated into one on each continent. ■

Key financial notes (p.5) →

[a] Funds received for special purposes: Development Innovation Fund ($39.8M); Fast-Track Climate Change Financing ($33.4M); other ($1.8M).

[b] Program allocations (grants) include total allocations for program areas and corporate activities, as well as the allocations for the Institute for Connectivity in the Americas.

- The Parliamentary appropriation represents 83.2% of total revenues.
- The expenses for development research programming and corporate and capacity building represent 90.0% of total expenses excluding restructuring costs.

IDRC offices and allocations by focus region

Global

Allocations ($000): **20,357** (14.3% of total)
Research activities: **243**

Sub-Saharan Africa

Allocations ($000): **47,945** (33.7% of total)
Research activities: **277**

Asia

Allocations ($000): **36,233** (25.5% of total)
Research activities: **156**

Latin America and the Caribbean

Allocations ($000): **25,369** (17.8% of total)
Research activities: **136**

Middle East and North Africa

Allocations ($000): **12,352** (8.7% of total)
Research activities: **67**

Key financial highlights

For the year ended 31 March 2012 (in thousands of dollars)

	2011–2012		2010–2011
	Actual	**Revised budget**	**Actual**
Revenues			
Parliamentary appropriation	239 441	211 976	195 199
Donor contributions			
Funding for development research programming	42 095	45 014	46 299
Recovery of administrative costs	4 242	4 366	4 623
Investment and other income	2 023	1 622	1 554
	287 801	262 978	247 675
Expenses			
Development research programming			
Research projects	165 776	160 955	144 502
Capacity building	47 438	53 285	50 166
	213 214	214 240	194 668
Corporate and administrative services	23 594	25 073	23 805
	236 808	239 313	218 473
Results of operations before restructuring costs	50 993	23 665	29 202
Restructuring cost	5 186	—	—
Net results of operations	45 807	23 655	29 202
Equity			
Unrestricted	10 996	16 837	16 044
Internally restricted [a]	74 996	47 013	24 249
Reserved	17 842	17 842	17 734
Program allocations			
Funded by Parliamentary appropriation	120 890[b]	100 050[b]	127 494[b]
Funded by donor contributions	21 366	22 860	82 669
	142 256	122 910	210 163

← See Key financial notes on page 4.

Contributing to Canada's foreign policy goals

Fresh thinking, practical solutions

In November 2011, Environment Minister Peter Kent announced funding for seven centres of excellence across Africa that will support innovative research to help African communities deal with the effects of climate change.

The African Adaptation Research Centres initiative is one of many that IDRC supports with Canadian granting councils and government departments and agencies. These initiatives allow leading Canadian researchers to use their skills to address development challenges and work with talented researchers abroad. For Canada, this helps produce the knowledge and nurture the skilled people the country needs to become more innovative and address challenges at home. For IDRC, working with such experts helps us gain the best possible results from the research we fund and make the most effective use of the resources entrusted to us.


IDRC

The Hon. Peter Kent, Minister of the Environment, announces funding for the African Adaptation Research Centres.

Joining forces to meet global challenges

IDRC's mandate is to support research that improves the lives and livelihoods of people in developing countries. Our work, recipients, and results also inform issues of concern to Canadians, such as peace and security, and economic growth. Here are some of the ways in which we contributed in 2011-2012:

Increasing food security

The Canadian International Food Security Research Fund, established with the Canadian International Development Agency in 2009, supports practical, applied research that will improve food production and increase access to nutritious food. By the end of 2011-2012, 19 teams involving 11 Canadian universities were working on livestock vaccines and improved farming methods, among other innovations. In October 2011, Prime Minister Stephen Harper announced an additional contribution of $62 million.

Improving maternal and child health

By tackling the complex problems that affect health around the world, the Global Health Research Initiative helps Canadian scientists gain global health research experience. Now entering a second phase with funding from CIDA, IDRC, and the Canadian Institutes of Health Research, GHRI has linked more than 250 Canadian researchers in nine provinces with counterparts in more than 60 countries.

Another government-established initiative, the five-year $225 million Development Innovation Fund, furthers the search for global health breakthroughs. Managed by IDRC, CIHR, and Grand Challenges Canada, this year the Fund awarded close to 30 grants to innovators to develop diagnostic tools, treatments, and preventive care strategies. The Saving Brains initiative, the latest grand challenge, was announced in October 2011.

Stimulating economic growth

Mathematics underpins much of modern life, including information and communication technology, medicine, finance, demographics, and planning. The African Institute for Mathematical Sciences' goal is simple: to provide the training and space in which Africa's brightest graduates can be taught by the world's best mathematicians — including Canadians — and access the full power of new technologies to solve their countries' problems. The Government of Canada's $20 million contribution is helping to train this critical mass of scientific and technical talent. Other Canadian supporters include the Perimeter Institute. The first centre is in South Africa: a new AIMS centre opened this year in Senegal.

This past year, Canada sought to expand ties with developing countries that are increasingly important to global prosperity, such as Brazil and India. IDRC was able to contribute to these efforts. For example, IDRC supported discussions on the Comprehensive Economic Partnership Agreement with India. IDRC also participated in the ASEAN-Canada dialogue held in Vancouver in June 2011 and launched an ASEAN-Canada Research Partnership to strengthen ties between Canada and Southeast Asian nations.

In the Americas, IDRC collaborated with the Department of Foreign Affairs and International Trade to organize a conference on the promotion of innovation and entrepreneurship for Prime Minister Stephen Harper's visit to Brazil, and testified before a Senate committee studying Canada-Brazil relations.

IDRC

Minister of State of Foreign Affairs (Americas and Consular Affairs) Diane Ablonczy and Neil Reeder of the Department of Foreign Affairs visited IDRC projects in Latin America and the Caribbean.

IDRC

MP Dean Allison (right) hosted Carlos Pérez del Castillo, chair of the CGIAR Consortium, on Parliament Hill in March 2012 to learn about Canada's leadership in international agricultural research.

Advancing democracy, ensuring security

Responding to the Arab Spring, IDRC approved new programming to support civil society and human rights organizations' participation in the region's democratic transitions. By bringing international and Middle East experts to Ottawa, IDRC also facilitated quick-response policy advice for senior Government of Canada officials on the transitions in Egypt, Syria, Libya, Tunisia, and Bahrain.

Unrest in the Middle East, Afghanistan, and elsewhere underlined the importance of IDRC's work to increase security, rule of law, access to justice, and state protection, the thrust of an IDRC program launched in 2010. This year, IDRC's Governance, Security, and Justice program systematically engaged with government officials on issues such as the Arab Spring, transnational organized crime, and violence in Latin America.

A three-pronged approach to fulfilling our mandate

Knowledge, skills, influence

Our mandate

The International Development Research Centre initiates, encourages, supports, and conducts research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions. The Centre operates under the *IDRC Act* (1970). To fulfill its mandate, IDRC encourages and supports researchers from developing countries to conduct research in their own institutions and regions.

Our business model

In carrying out our mandate, we

- provide financial support to researchers in developing countries for applied research on the problems that they identify as crucial to their communities;
- engage with researchers throughout the research process;
- act as a research broker to further networking among grantees; and
- facilitate access to research materials and services, as well as to other researchers and policymakers.

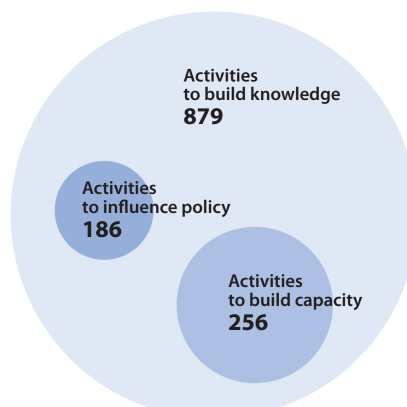
Our objectives

This was the second year of operation under IDRC's Strategic Framework 2010-2015, which establishes three objectives:

- To build new knowledge, including new fields of knowledge.
- To build research capacity, especially in developing countries.
- To enable our grantees to influence policy and practice.

RESEARCH OBJECTIVES

2011-2012



BILL & MELINDA GATES FOUNDATION

Our research programs

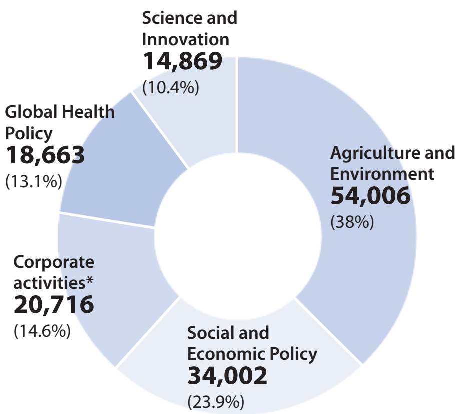
Working with some of the brightest minds in Canada and the world, IDRC focuses on achieving results. Our efforts have led to healthier people, higher incomes, sustainable agriculture, and responsible governments.

RESEARCH ACTIVITIES AT YEAR END
2011-2012

879
research activities

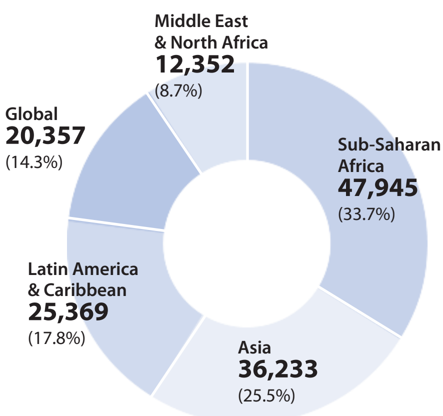
$142.3 million
allocated to new research activities

TOTAL ALLOCATIONS BY PROGRAM AREA
2011-2012 ($000)



* Corporate activities include the Special Initiatives and Donor Partnership Divisions, Corporate Strategy and Regional Management Branch, Regional Activity Funds, and Forward Planning Fund.

TOTAL ALLOCATIONS BY REGION
2011-2012 ($000)



Agriculture and Environment

Securing basic needs, adapting to change

A few years ago, soaring food prices hit the poorest people in the poorest countries hardest, serving as a reminder that we still live in a food-insecure world. Since then, an IDRC-CIDA initiative launched in response to the global food crisis has re-energized food security research in Canada.

The Canadian International Food Security Research Fund provides a way for scientists and students from across the country to tackle food security challenges with counterparts in the developing world. Some of the more than 60 technical innovations being explored in IDRC-funded projects could benefit Canadian agriculture as well.

Climate Change Adaptation in Africa, a joint initiative with the UK Department for International Development, wrapped up in March 2012 after six years. External evaluators concluded that the program had met ambitious continent-wide goals of improving the capacity of African communities and organizations to adapt to climate change. The new $10 million African Adaptation Research Centres initiative (supported through the Government's Fast-Start Climate Change Financing) and our broader Climate Change and Water program build on this success.

For almost 20 years, IDRC has funded groundbreaking research that examines the links between the health of people and environments. A major push to promote the ecosystem approach to human health in Latin America has built a dynamic research network in 17 countries. This year, those efforts were rewarded when the Colombian Science Council gave $15 million toward the work in Colombia of a consortium battling vector-borne diseases.

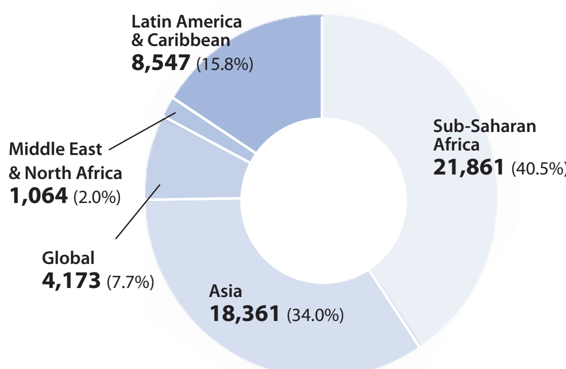
Jean Lebel, Director of IDRC's Agriculture and Environment program, was appointed Vice-President, Program and Partnerships, on April 2, 2012.

WORLD BANK

Research funded by IDRC and CIDA is helping to combat food insecurity.

PROJECT ALLOCATIONS

2011-2012 ($000)



Total: **$54,006**

MEET ONE OF OUR GRANTEES

__Valérie Orsat__ is a bioresource engineering professor at McGill University working on a CIFSRF project in India. She is pictured at right with fellow team leaders (from right): Nirmala Yenagi, from the University of Agricultural Sciences in Dharwad; Bala Ravi, with the M S Swaminathan Research Foundation; and Rakesh Kumar, from the Himalayan Environmental Studies and Conservation Organization.

Hardy, nutritious millets were once part of traditional diets in India, but fell out of favour as people shifted toward cheaper rice and wheat. I'm working with researchers in four states to reintroduce the ancient grains, which are vitally important for food security.

We're taking a multi-pronged approach to improve agricultural practices, nutrition, incomes, and lives.

MSSRF

About 800 families are involved, either as farmers or as part of women's groups that are developing millet products, such as breads, snacks, and drinks, that could suit local tastes and sell well.

A key goal is to make women's lives easier by mechanizing the dehulling process. Traditionally, women do this hard work by hand, grinding the grain between two wheel-shaped emery stones. We've now built the prototype dehulling machine that will be easy for village metalworkers to manufacture, and very simple to use. You plug it in, pour the grain into a hopper, and out it comes. The hull shatters as it hits the sidewalls of a centrifuge. In tests so far, more than 95% of the millet is dehulled, and almost no grain is broken.

KRISTIAN SWAN/NICHOLAS MATLASHEWSKI

A dehulling machine will reduce the tedium for women, who traditionally process the millets by hand.

PROJECT EXAMPLES

Adapting to change in Africa

Seven African Adaptation Research Centres, managed by IDRC and funded by the Government of Canada, will help build the research expertise needed to adapt to a changing climate. For example, an early warning system in Benin advises 2 million farmers about impending droughts and floods, and how to safeguard crops.

Funding: $10 million
Duration: 2011-2014

Fighting disease with ecohealth

Four Latin American health groups are tackling vector-borne diseases such as Chagas, malaria, and dengue fever. Their strategy: use training and research to develop continent-wide skills to better control the diseases. As described in *Ecohealth Research in Practice* (2012), IDRC and Canada are leaders in building this field.

Funding: $4 million
Duration: 2011-2015

Valuing the environment

Unless Kolkata better treats its heavy metal-laden wastewater, used for irrigation, the East Kolkata wetlands could see the major crop, rice, become unprofitable. This is the finding of one of 15 studies funded in 2011 by the South Asian Network for Development and Environmental Economics that use economics to analyze environmental problems.

Funding: $1 million
Duration: 2010-2014

OUR RESEARCH PROGRAMS

Global Health Policy

Promoting fair access, preventing disease

The goal of alleviating human suffering is reason enough to support global health research. But with diseases increasingly crossing borders and health systems facing challenges worldwide, advances wherever they occur benefit us all. Healthier nations also tend to be more stable.

IDRC-funded research helps health systems tackle operating challenges, enhance equitable access, and remove physical barriers to care. On behalf of the Government of Canada, IDRC also administers a fund that is generating excitement around Canadian innovations targeting specific diseases. The Development Innovation Fund supports the work of Grand Challenges Canada, which promotes the development of useful tools.

IDRC will continue to host the Global Health Research Initiative, which was renewed in 2012 for another four years. Since 2001 this research partnership of federal agencies has enabled more than 250 Canadian researchers in nine provinces to work on innovative research with counterparts in more than 60 countries.

A new program focusing on the prevention of non-communicable diseases such as cancer and diabetes builds on IDRC's two decades of support for research on tobacco control. IDRC staff were invited to join the Canadian delegation to a United Nations high-level meeting, where the Minister of Health, the Hon. Leona Aglukkaq, hailed IDRC's program on non-communicable disease prevention as a Canadian contribution to this issue internationally.

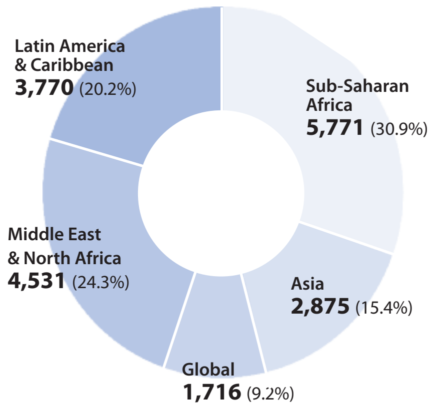
Michael Clarke is Director of IDRC's Global Health Policy program.

CRISTELLE DUOS / IRD

IDRC-funded research is tackling complex problems that affect health around the world.

PROJECT ALLOCATIONS

2011-2012 ($000)



Total: **$18,663**

MEET ONE OF OUR GRANTEES


PHILIP WALKER © 2012 WATERLOO REGION RECORD

CRISTELLE DUOS/IRD

Karim S. Karim moved to Canada from Pakistan at age 16. He is now a professor at the University of Waterloo. In February 2012, he received a $100,000 "Rising Star in Global Health" grant from Grand Challenges Canada. GCC is supported by the Government of Canada's Development Innovation Fund, which is administered by IDRC.

Ever since my PhD, which involved building digital X-ray cameras for medical uses, I've been looking for places to use imaging where there's a real need for it. I've also been trying to find low-cost solutions because digital X-ray technology is phenomenally expensive.

Three years ago, I did an MBA at the University of Toronto and was exposed to a lot of new ideas. And it occurred to me: Why not build a small digital imager specifically to diagnose tuberculosis? You don't need a full, high-resolution chest X-ray to detect TB, and with a smaller device, you can cut the cost and the dosage. Safer X-rays are especially important for kids: about 20% of TB fatalities are children.

The technology would be the enabler for the real idea: a widespread network of low-cost clinics to screen for TB. This technology could also work well in Canada's North, where TB rates are high.

With the GCC grant, I've purchased an industrial imaging device that's six times cheaper than its medical counterpart. Initial tests on dummies produced good images. Once I'm convinced the device is safe, I'll work with credible partners to pilot test it. Then we'll start building the clinics.


POORVI CHITALKAR

Another grand challenge, called Saving Brains, aims to encourage healthy brain development in children in developing countries.

PROJECT EXAMPLES

Improving health in Nigeria

Nigeria has one of the world's highest infant and maternal mortality rates. In a joint initiative with the Government of Nigeria and CIDA, health workers and planners are collecting and using data to improve services and outcomes for mothers and children. The ultimate goal: to create a culture of evidence-based planning for better health of all Nigerians.

Funding: $19 million
Duration: 2008-2014

Reducing children's pain

With a GHRI grant, researchers from Dalhousie University and Thailand's Khon Kaen University developed tools now used at seven hospitals in Thailand to treat children's pain. The new practices, already adopted by some Brazilian hospitals, have led to the ChildKind Initiative, a program to reduce pediatric pain in health facilities worldwide.

Funding: $968,800
Duration: 2007-2012

Quitting smoking in Lebanon

A tough tobacco-control law passed in August 2011 was a breakthrough for Lebanon, where more than 40% of the population smokes. IDRC-funded research carried out by the American University in Beirut for the past seven years provided evidence to support the law, which bans smoking in enclosed public places and tobacco advertising.

Funding (2 projects): $270,980
Duration: 2006-2013

Science and Innovation

Harnessing knowledge for progress

In Senegal, Canadian lecturers join four Nobel laureates and other world-renowned mathematicians to nurture a new generation capable of transforming Africa's prospects. In Brazil and Canada, two leading scientists collaborate on pollution-monitoring innovations that could help restore damaged water bodies in both countries. In India, researchers' warnings about privacy and security risks contributed to the scuttling of a proposed national identification system.

These are examples of how IDRC support this year has helped developing countries harness science and innovation to drive economic growth, tackle social and environmental problems, and reduce poverty.

Complex modern challenges, such as food security, infectious diseases, and climate change, require high-level mathematical modelling skills. IDRC's Science and Innovation program administers Canada's $20 million contribution to the African Institute for Mathematical Sciences, which provides rigorous math training to postgraduate students. These funds will allow AIMS to expand beyond Cape Town to five locations by 2015. Classes started this year at the second centre, in Mbour, Senegal.

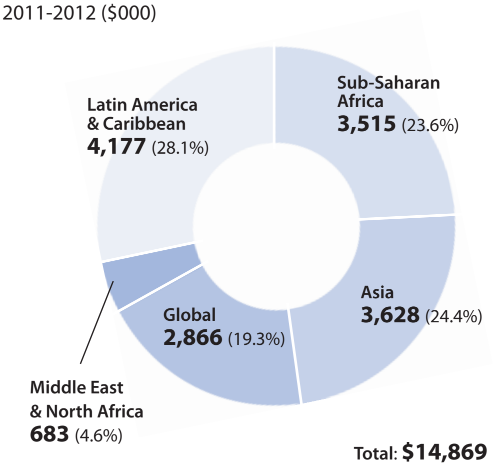
IDRC partners with Canada's science granting councils to create unique research opportunities for Canadians. IDRC-supported researchers also explore the impacts of the Internet and mobile phones in developing countries. Working with global leaders in the field, research teams aim to find the balance between security needs and protection of rights in networked societies.

Naser Faruqui is Director of IDRC's Science and Innovation program.

In Egypt, women are using social media to report harassment.

PROJECT ALLOCATIONS

2011-2012 ($000)



MEET ONE OF OUR GRANTEES

Thierry Zomahoun became Executive Director of the African Institute for Mathematical Sciences Next Einstein Initiative in August 2011. He has three master's degrees, including an Executive MBA from McGill University, and has held leadership positions at several Canadian international development organizations.

I strongly believe that the key to wealth creation in Africa is education. However, the traditional way of teaching math and science has alienated generations of young Africans. So when I learned what AIMS was doing, I fell in love with its approach. We don't teach students what to think, but enable them to solve problems by themselves.

The support we've received from Canada has enabled us to tap into major future funding. When other donors see the partnership between AIMS and the Government of Canada through IDRC, they are reassured that something serious is going on here in the area of innovative math and science education.

NICKY WILLCOCK

AIMS founder Neil Turok (left) and Thierry Zomahoun.

AIMS

AIMS: a world-class education for African mathematicians.

AIMS is positively affecting education in Africa. Universities are learning from its methods, and a recent UNESCO award recognized AIMS' innovative teacher training. Our centre in Cape Town has trained almost 1,000 teachers in the AIMS approach. AIMS is a transformational experience, with every student getting a world-class education on a full scholarship.

PROJECT EXAMPLES

Linking health and climate change

An international research team is studying the health impacts of climate change in indigenous communities in Canada's North, the Peruvian Amazon, and southwestern Uganda. The project is supported through the International Research Initiative on Adaptation to Climate Change.

Funding: $2.5 million
Duration: 2010-2016

Mapping harassment in Cairo

Women in Cairo can now use mobile phones to report catcalls, stalking, and assaults. HarassMap displays these reports on a searchable map, and identifies hotspots where extra caution and police protection are needed. IDRC supports research that helps verify the crowdsourced reports.

Funding: $361,000
Duration: 2011-2013

Innovating in Southeast Asia

Filipino *jeepney* (public transport) drivers teamed up with a technical college to turn waste cooking oil from fast-food chains into fuel. The idea was one of 26 tested in IDRC-funded research on pro-poor innovations. This work is now being taken up by granting councils and universities in four countries.

Funding: $1.5 million
Duration: 2011-2014

OUR RESEARCH PROGRAMS

Social and Economic Policy

Building secure, prosperous societies

A stable and secure state, responsive to its citizens. A flourishing economy providing jobs and opportunities for all. IDRC supports research and practice to bolster these key building blocks of development.

Persistent insecurity and states beset by fragility represent huge challenges to development. A new IDRC program on governance, security, and justice led an important international effort this year to boost research in this area. Working with major donor countries, the World Bank, and United Nations agencies, IDRC helped launch an initiative to coordinate, increase, and improve research aimed at helping countries move out of a destructive cycle of conflict and fragility.

Job creation, high on the international development agenda, will be the theme of the *World Development Report* 2013. With funding from IDRC and academic support from the University of Toronto, Mexican researchers are providing valuable input to this influential World Bank publication. Their case study is likely to inform both Canadian and G20 discussions on labour and migration.

IDRC also hosts the Think Tank Initiative, a multidonor program dedicated to strengthening independent policy research institutes in developing countries. TTI now supports 49 think tanks in 22 countries. This year was the first year think tanks in Africa, Asia, and Latin America participated in the initiative.

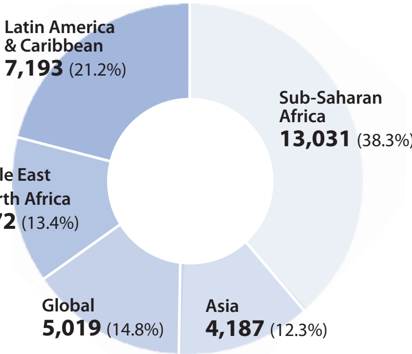
Sue Szabo is Director of IDRC's Social and Economic Policy program.

EARTHWORM

The Social and Economic Policy program supports research to facilitate growth with decent jobs and promote entrepreneurship and innovation.

PROJECT ALLOCATIONS

2011-2012 ($000)



Total: **$34,002**

MEET ONE OF OUR GRANTEES

*Economist **Raquel Zelaya** has twice interrupted her career at the Asociación de Investigación y Estudios Sociales to venture into policymaking. In 1992, she served as Guatemala's Minister of Finance. Then, as Secretary of Peace in 1997, she monitored the Peace Accords following the country's 36-year civil war. Zelaya is Executive Director of ASIES, a Think Tank Initiative grantee.*

I believe one of the fundamental reasons for ASIES' success is that it brings together key actors and decision-makers. Our recommendations are concrete and constructive, and they help policymakers and stakeholders make informed decisions.

A good example of this is the constitutional reform to improve security and justice that ASIES developed with two of Guatemala's universities. This proposal has been adopted by some members of Congress, and stands a good chance of becoming law. The reform aims to make the judicial system more efficient.

FELIX SEUFFERT

BARNABY WASSON

ASIES brings together Guatemala's key actors and decision-makers on constitutional, judicial, and fiscal reforms.

ASIES has also made important contributions to fiscal reform. We host a monthly gathering of 40 of the most prominent economists in Guatemala. This group advocated modernizing fiscal policy and strengthening state finances. President Otto Pérez Molina has put forward some of its recommendations.

The Think Tank Initiative is supported by IDRC, the William and Flora Hewlett Foundation, the Bill & Melinda Gates Foundation, the UK Department for International Development, and the Netherlands Directorate-General for International Cooperation.

PROJECT EXAMPLES

Responding to the Arab Spring

In early 2011, IDRC convened an expert working group to identify ways to promote the transition to democracy in Arab states. As a result, IDRC is supporting the Arab Reform Initiative, International Crisis Group, and Carnegie Endowment for International Peace in their efforts to inform home-grown democratic reforms.

IDRC funding (3 projects): $3 million
Duration: 2011-2015

Training Africa's economists

Francophone Africa is short of well-trained economists. The IDRC-funded Nouveau programme de troisième cycle interuniversitaire en économie has graduated more than 1,500 master's and 100 doctoral students in 18 countries since 1994. A new phase of the Burkina Faso-based program will build links with Canadian institutions.

Funding: $2 million
Duration: 2012-2016

Balancing needs of young and old

IDRC co-published a landmark study in 2011: *Population Aging and the Generational Economy*. Based on IDRC-funded research in 18 countries in Africa, Asia, and Latin America, the study will help governments identify the economic opportunities and challenges of changing demographics.

Funding (4 projects): $2.6 million
Duration: 2008-2012

Enlisting Canadians for greater impact

Opening windows on development research

In fulfilling its mandate, IDRC supports collaboration between Canadian and developing-country researchers and builds relationships with Canadian academic, research, and civil society organizations engaged in international development.

Canadian organizations figure prominently among IDRC's largest recipients, led by Grand Challenges Canada and McGill University. Among the 742 recipient institutions at year end, 97 were Canadian, of which 70% were universities and colleges. In 2011-2012, funding to Canadian institutions represented 25% of total project payments.

Through its Canadian Partnerships program, IDRC promotes and sustains linkages with Canadian institutions, particularly universities and civil society organizations. The goal: strengthen the capacity of the Canadian international development and research community to carry out research and knowledge-related activities. During 2011-2012, the CP program provided $4.4 million in financial support to 56 organizations across Canada.

In addition to small grants, the Canadian Partnerships program also makes larger grants ($75,000 to $250,000) for research projects and institutional grants ($300,000 to $2 million) to key Canadian institutions whose work is closely related to IDRC's mission and programs.

Corporate awards and international fellowships

IDRC funds and administers the Corporate Awards and the International Fellowships programs for emerging and mid-career researchers in Canada and in developing countries. The programs aim to build a critical mass of trained and experienced researchers in fields relevant to our thematic program areas and provide a new generation of Canadians with an opportunity to participate in international development work. In 2011-2012, 119 awards were approved: 58 of these were to Canadians.

Fellowships and Awards 2011-2012

Adaptation H_2O — Graduate Research Awards on Climate Change and Water	8
Community Forestry: Trees and People — John G. Bene Fellowship	1
IDRC Awards for International Development Journalism	5
IDRC Canadian Window on International Development Awards	2
IDRC Doctoral Research Awards	45
IDRC International Fellowships Program — Doctoral Research Awards	21
IDRC International Fellowships Program — Master's Scholarships	13
IDRC Research Awards (formerly Internship Awards)	17
IDRC Science Journalism Awards	3
Professional Development Awards	4
TOTAL	**119**

Corporate governance

A commitment to accountability, transparency, effectiveness

The Board of Governors

IDRC's work is guided by an 18-member Board of Governors. As part of IDRC's deficit-reduction measures, the Board will be reduced in size to a maximum of 14 members. Once the relevant legislation is passed, this measure will bring IDRC's Board size in line with that of other Canadian Crown corporations, while continuing to ensure a balance between Canadian and international members.

The *IDRC Act* provides that a majority of Board members, including the Chairperson and Vice-Chairperson, must be Canadian. The balance of members are appointed from other countries. This composition helps ensure that IDRC responds effectively to the needs of the developing world.

The Chairperson of the Board reports to Parliament through the Minister of Foreign Affairs.

Board members are appointed by Canada's Governor in Council for terms of up to four years, and may be appointed for a further term.

Key Board responsibilities

Key responsibilities of IDRC's Board are to

- establish the Centre's strategic direction;
- review and approve the Centre's budget and financial statements;
- assess and ensure that systems are in place to manage risks associated with the Centre's business;
- ensure the integrity of the corporation's internal control and management information systems;
- monitor corporate performance against strategic and business plans;
- measure and monitor the performance of the President and Chief Executive Officer;
- ensure that the Centre has an effective communications strategy; and
- assess its own performance in fulfilling Board responsibilities.

Board committees

The Board normally meets three times a year. There are also four standing committees of the Board:

Executive Committee
Members: The Honourable Barbara McDougall (Chairperson); Denis Desautels; Ahmed Galal; Frieda Granot; David Malone; Faith Mitchell

Finance and Audit Committee
Members: Denis Desautels (Chairperson); Ahmed Galal; Frieda Granot; Elizabeth Parr-Johnston; Gordon Shirley

Governance Committee
Members: The Honourable Barbara McDougall (Chairperson); Denis Desautels; Pratap Mehta; The Honourable Monte Solberg

Human Resources Committee
Members: Faith Mitchell (Chairperson); David Malone; Xue Lan

Committee members are elected on the basis of their interests, expertise, and availability.

The Board also establishes ad hoc committees to deal with particular issues, as the need arises. In March 2012, the Board established a Search Committee for the recruitment of a new IDRC President, to replace David Malone whose term ends June 30, 2013. An executive search consultant will assist the Committee in its work. The Committee is composed of five members appointed from the IDRC Board and three representatives from government.

IDRC members: The Honourable Barbara McDougall (Chairperson); Denis Desautels; Ahmed Galal; Faith Mitchell; The Honourable Monte Solberg.

Compensation

Compensation for governors is set according to Government of Canada *Remuneration Guidelines for Part-time Governor in Council Appointees in Crown Corporations*:

- Per diem for governors: $390 – $420
- Annual retainer for Committee Chairs: $4,600 – $5,400
- Annual retainer for the Chairperson: $9,200 – $10,800

The IDRC Board of Governors, 2011-2012

The HONOURABLE BARBARA McDOUGALL
Chairperson, Toronto, Canada
Former advisor to a major Canadian law firm and for many years a director of a number of Canadian corporations and non-profit organizations. Member of Parliament for nine years, holding several cabinet posts, including Secretary of State for External Affairs.
*Attended 3 out of 3 meetings**

DENIS DESAUTELS
Vice-Chairperson, Ottawa, Canada
Chairperson, Board of Directors, Laurentian Bank; Chairman, Accounting Standards and Oversight Council, Canadian Institute of Chartered Accountants; and former Auditor General of Canada
Attended 3 out of 3 meetings

DAVID M. MALONE
President, IDRC, Ottawa, Canada
Former High Commissioner for Canada to India and non-resident Ambassador to the Kingdom of Bhutan and to Nepal; former Assistant Deputy Minister (Global Issues), Department of Foreign Affairs and International Trade
Attended 3 out of 3 meetings

MARGARET BIGGS
Ottawa, Ontario
President, Canadian International Development Agency
Attended 2 out of 3 meetings

CLAUDE-YVES CHARRON
Montréal, Canada
Vice-President, Université du Québec à Montréal
Attended 0 out of 3 meetings (resigned April 4, 2011)

AHMED GALAL
Cairo, Egypt
Managing Director, Economic Research Forum
Attended 3 out of 3 meetings

FRIEDA GRANOT
Vancouver, Canada
Senior Associate Dean, Strategic Development and External Relations, Sauder School of Business, University of British Columbia
Attended 3 out of 3 meetings

PRATAP B. MEHTA
Delhi, India
President, Centre for Policy Research
Attended 1 out of 3 meetings
(term expired July 31, 2011)

FAITH MITCHELL
Washington, DC, United States
Vice-President for Program and Strategy, Grantmakers in Health
Attended 3 out of 3 meetings

ELIZABETH PARR-JOHNSTON
Chester Basin, Canada
President, Parr Johnston Economic and Policy Consultants
Attended 3 out of 3 meetings

GORDON SHIRLEY
Kingston, Jamaica
Principal, University of the West Indies, Mona Campus
Attended 3 out of 3 meetings

The HONOURABLE MONTE SOLBERG
Calgary, Alberta
Senior Advisor, Fleishman-Hillard Canada
Attended 3 out of 3 meetings

XUE LAN
Beijing, People's Republic of China
Dean, School of Public Policy and Management, Tsinghua University, Beijing
Attended: 3 out of 3 meetings

* Attendance figures cover the period April 1, 2011 to March 31, 2012.

Senior Management Committee 2011-2012

DAVID M. MALONE
President (Chairperson)

ABOUDOU KARIM ADJIBADE
Regional Director, Middle East and North Africa

FEDERICO BURONE
Regional Director, Latin America and the Caribbean

SIMON CARTER
Regional Director, Eastern and Southern Africa

MICHAEL CLARKE
Director, Global Health Policy

NIKKI DIGNARD
Director, Finance and Administration

SYLVAIN DUFOUR
Vice-President, Resources, and Chief Financial Officer

MERLE FAMINOW
Acting Director, Agriculture and Environment
(effective April 2, 2012)

NASER FARUQUI
Director, Science and Innovation

TRENT HOOLE
Secretary and General Counsel
(appointed May 14, 2012)

JEAN LEBEL
Director, Agriculture and Environment
(appointed Vice-President, Programs and Partnerships, effective April 2, 2012)

STEPHEN McGURK
Regional Director, South Asia and China

ROHINTON MEDHORA
Vice-President, Programs and Partnerships
(up to April 2, 2012)

LAUCHLAN T. MUNRO
Vice-President, Corporate Strategy and Regional Management
(resigned, effective May 11, 2012)

ANNETTE NICHOLSON
Secretary and General Counsel
(appointed Vice-President, Corporate Strategy and Regional Management, effective May 14, 2012)

LINE NOREAU
Director, Human Resources

ANGELA PROKOPIAK
Director, Communications and Parliamentary Affairs

GERD SCHÖNWÄLDER
Director, Policy and Planning Group

ROSALIA SCIORTINO
Regional Director, Southeast and East Asia

SUE SZABO
Director, Social and Economic Policy

KATHRYN TOURÉ
Regional Director, West and Central Africa

Awarding excellence: recognizing IDRC grantees

IDRC / DAVID BARBOUR

Ron Deibert of the Citizen Lab

PATRICIA LEIVA/OAS

Carolina Trivelli

JOSÉ OROZCO/LA HORA

Sherilee Harper

GENE CAMPAIGN

Peter Singer

The Toronto-based **Citizen Lab** won the 2011 Canadian World Press Freedom Award for its dedicated defence of free expression online. Based at the Munk School of Global Affairs at the University of Toronto, it received the 13th annual award for its ongoing work to track and expose Internet censorship and surveillance around the world.

Another online censorship watchdog, Brazil's **Mega No to Surveillance Movement,** won the FRIDA International Award in the "Freedoms" category. The FRIDA prize rewards digital innovation and research that catalyze change in Latin America and the Caribbean.

Pablo de Greiff was nominated by the UN Human Rights Council to serve as the first Special Rapporteur on transitional justice. He is Director of Research at the International Center for Transitional Justice, a long-time IDRC partner.

The **HarassMap** website, which provides women in Egypt with information about sexual harassment hotspots, won the World Summit Youth Award in the "Power 2 Women" category.

Economist **Carolina Trivelli** was appointed minister of Peru's new Ministry of Development and Social Inclusion. Before her appointment, Trivelli coordinated the Proyecto Capital initiative at the Instituto de Estudios Peruanos, an IDRC grantee.

Jerry Spiegel received the 2011 Canadian Public Health Association's International Award. He was instrumental in assembling leaders in global health from across Canada and internationally to create what became Canada's Global Health Research Initiative.

Sherilee Harper, an alumnus of the IDRC-supported CoPEH-Canada Ecohealth training program, is one of three winners of the 2011 Knowledge Translation Awards. This award from the National Collaborating Centres for Public Health recognizes Harper's work in promoting the use of scientific research to strengthen public health practices and policies in Canada.

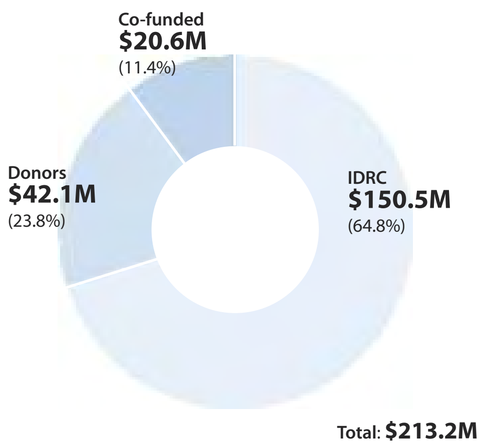
Peter Singer, Chief Executive Officer of Grand Challenges Canada, received the Order of Canada for his contributions to health research and bioethics. GCC is IDRC's partner in the Government of Canada's Development Innovation Fund. ■

Managing and measuring our performance

During 2011-2012, IDRC met its targets for research project expenditures and laid the groundwork for a number of new donor-funded initiatives. We demonstrated careful stewardship of resources. Internal audits provided assurance that a sound management control framework was in place.

DEVELOPMENT RESEARCH PROGRAMMING EXPENSES

2011-2012 ($000)



Contents

Stewardship and Accountability

Accountability

IDRC is accountable to Parliament and to Canadians for our use of public resources. Here are some of the measures in place that help us meet or exceed the standards set by the Government of Canada for accountability and transparency in corporate governance:

- IDRC's financial statements are audited annually by the Office of the Auditor General of Canada.
- IDRC is subject to both the *Access to Information Act* and the *Privacy Act*. Nine requests were received under the *Access to Information Act* in 2011-2012. None were received under the *Privacy Act*.
- IDRC publishes travel and hospitality expenses for senior executives on its website.
- IDRC held its annual public meeting in November, hosted by the Board Chairperson, the Hon. Barbara McDougall. Some 100 people attended.
- In accordance with legislative requirements, IDRC submitted reports on its application of the *Canadian Multiculturalism Act*, the *Employment Equity Act*, and the *Official Languages Act*.
- IDRC's Senior Officer submitted his annual report on the *Public Servants Disclosure Protection Act*.
- IDRC contributed to the Government's report under the *Official Development Assistance Accountability Act*.

Internal audit

Internal audit is a key element of IDRC's accountability structure. The Internal Audit work plan is closely aligned to the Centre's Corporate Risks and is designed to provide assurance on the effectiveness of key risk management processes, internal controls, and oversight mechanisms.

In June 2011, the Board of Governors' Finance and Audit Committee approved a new three-year internal audit plan. In November, it received a retrospective of the risks and challenges identified in the internal audits carried out between 2006 and 2011, covering aspects of all the Centre's main business processes. This review showed that a sound management control framework was in place and that management was generally operating in compliance with established policies and procedures.

Internal audit results over the period showed that Centre management acted proactively in responding to the recommendations of the audit reports.

Program support

Partnerships

IDRC works with a wide variety of organizations — government agencies, granting councils, the private sector, philanthropic foundations, and others. We collaborate to learn from one another's experiences, extend the reach of the ideas we support, and bring innovations to scale. By pooling technical, scientific, and financial resources, we are able to further a shared commitment to research.

Canadian organizations play a dominant role in partnership arrangements, accounting for 55% of the partnership portfolio. Working with Canadian partners allows IDRC to contribute to government priorities while simultaneously creating avenues for IDRC to present its perspective, approaches, and experience to government.

As of March 31, 2012, IDRC was involved with 13 partners in 28 donor contribution agreements worth $267.2 million at signature. In addition, IDRC collaborates with federal departments and agencies that use transfers of appropriations to cover their share of project costs. In 2011-2012, $22 million was included in IDRC's appropriation to cover the cost of two collaborative arrangements with federal organizations. (See also Management's Discussion and Analysis, page 27.)

Evaluation

High-quality evaluation is an important tool for ensuring effective use of public funds and for documenting and assessing results. Our approach to evaluation is framed in terms of utility: evaluations should have a clear purpose and use, for either learning or accountability. IDRC works to strengthen evaluation practice within the Centre and internationally.

We engage the Canadian evaluation community in numerous ways, such as hosting public learning events by renowned experts, linking with the Canadian Evaluation Society, and sharing our experience with Canadian institutions on how evaluation is integrated across IDRC. IDRC evaluation also plays an important role in demonstrating good stewardship to the Canadian government and its citizens on programs carried out by the Centre and in collaboration with other Government of Canada partners.

IDRC's *Evaluation Strategy 2010-2015* identifies four outcome areas:

- *High-quality program-led evaluation.* IDRC commissioned 26 evaluations during the year, 10 more than last year. This year, we analyzed trends in the quality of evaluation in recent years. Among the findings: evaluations of multiple projects, that are commissioned by IDRC, that take place at the midway point of the project cycle, or that include high levels of technical support, tend to be of better quality.
- *Influential strategic evaluations and external reviews.* This year, in response to a request from the Board of Governors about the portfolio of projects within each program, IDRC worked on two tools to facilitate comparative understanding across programs.
- *Innovations in evaluation approaches and methods.* This work focuses on areas where current tools do not adequately address the contexts in which the Centre's programs operate or provide the specific, real-time guidance needed for our programs and grantees.
- *Building the field of evaluation*. This year, for example, collaborators in South Asia are piloting evaluation curriculum. This work has generated interest from a number of donors.

Human resources

IDRC's success depends on its employees. The Centre has a highly qualified, international, multilingual workforce. Many possess specialized skills and extensive knowledge of particular geographic areas. This allows them to engage effectively with grant recipients in framing research problems, improving research designs, and selecting and implementing research methods. At 19%, the representation of visible minorities at IDRC exceeds labour-market availability in Canada.

IDRC's Human Resources Plan 2010-2013 has three objectives:

- *Find and grow talent globally:* At March 31, 2012, there were 466 persons on staff (compared to 480 planned for in the 2011-2012 program of work and budget): 76% were Ottawa-hired and 24% were locally engaged in regional offices.
- *Provide a stimulating workplace:* A Centre-wide employee survey earned a 90% response rate. Overall, the survey revealed high employee satisfaction and a strong sense of engagement with IDRC. The survey showed room for improvement with regards to workload management, communication, management and leadership, and the application of HR policies.
- *Enhance the Centre's capacity to manage human resources:* In 2011-2012, a new policy on the prevention of violence in the workplace was implemented. IDRC helped managers and employees develop skills to better address HR challenges through formal training, workshops, coaching, and 360-degree feedback exercises.

Communications

In the last year, IDRC's communication activities focused on supporting Canadian partnerships with developing countries, informing policy debates relevant to Canada, and engaging Canadians in dialogue.

Supporting Canadian partnerships with developing countries

In 2011-2012, IDRC supported 17 conferences and 75 outreach activities across Canada to share the results of IDRC-funded research. Notable among these was our presence as part of the Government of Canada's delegation at the American Association for the Advancement of Science annual conference, held in Vancouver.

Informing policy debates

IDRC's work to increase awareness and strengthen relations with Canadian parliamentarians led to their participation in two IDRC activities this year: Minister of the Environment Peter Kent announced recipients funded through the Government's Fast-Start Climate Change Financing; Lois Brown, Parliamentary Secretary to the Minister of International Cooperation, spoke at an IDRC/Syngenta Foundation workshop on Public-Private Partnerships in Agriculture for Development. In addition, in October 2011, the Prime Minister announced the second phase of the Canadian International Food Security Research Fund.

The work and impact of IDRC-supported researchers, as well as insights in international development, were also presented through a series of 22 public events at head office in Ottawa.

Engaging Canadians in dialogue

IDRC further contributed to policy debates and engaged in national conversations on research, innovation, and development by making available information about the results of the research we fund through books, on the Web, and social media channels, as well as an e-bulletin that now counts more than 13,000 subscribers. All IDRC books are fully open access and available free of charge on our website.

Information and technology

In 2011-2012, IDRC created a Committee on Information Demand to provide strategic direction for IDRC's investments in a rapidly shifting information technology environment. Key challenges identified are: ensuring IDRC invests in technology wisely; dealing with escalating software maintenance costs; managing security and ensuring data integrity; and balancing investments between running and transforming the business.

To meet these challenges, we piloted an agreement with a cloud computing provider to host a competitive call for research funding. We also implemented virtual workspaces to improve the means by which employees can access and share information, and collaborate internally and externally.

In addition, we redefined IDRC's metadata strategy — the way information is tagged, categorized, and filed electronically — for easier retrieval of internal documents and those posted on the website.

Regional offices

IDRC's regional offices are a critical component of our ability to achieve our strategic objectives. They also ensure close monitoring of risks associated with our work and allow us to respond to opportunities in a timely and coherent way.

IDRC had six regional offices in 2011-2012: Nairobi, Kenya; Dakar, Senegal; Cairo, Egypt; New Delhi, India; Singapore; Montevideo, Uruguay.

In adjusting to budgetary cuts announced in the March 2012 federal budget, in 2012-2013, IDRC will consolidate its presence in Asia into one office in New Delhi, while maintaining a senior representative in Southeast Asia, and consolidate its presence in sub-Saharan Africa into the Nairobi office, while maintaining a senior representative in West Africa. At the end of this process, IDRC will have four regional offices: in Cairo, Montevideo, Nairobi, and New Delhi, along with the head office in Ottawa.

Management's discussion and analysis

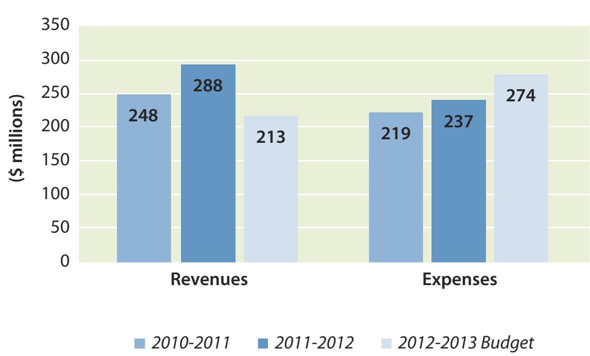
Summary of results and corporate developments

Summary of results

- Revenue increased by 16.2% to $287.8 million from $247.7 million in 2010-2011 as a result of increased non-recurring funding from Parliament. Details are on page 31.
- Expenses increased by 8.4% to $236.8 million from $218.5 million in 2010-2011, due primarily to greater spending for research projects funded by the Parliamentary appropriation. Details are on page 35.
- Development Innovation Fund (DIF) spending increased to $20.2 million from $9.4 million in 2010-2011. However, it still lagged behind the related revenues, resulting in a $39.8 million unspent balance as at 31 March 2012. Details are on page 32.
- As at 31 March 2012, equity had increased by 78.9% to $103.8 million from $58.0 million at 31 March 2011. The equity balance includes $39.8 million related to the DIF, $27.5 million for the Adaptation Measures to Climate Change (AMCC) program, and $5.9 million for the African Adaptation Research Centres (AARC). In total, equity was $22.1 million higher than budgeted. Details are on page 43.
- Outstanding commitments funded by the Parliamentary appropriation, excluding one-time special programs (DIF, AMCC, and AARC), increased by 6.4% during the year while those funded by donor contributions decreased by 10.3%. Details are on page 41.
- Corporate and administrative services declined to 10.0% of total expenses in 2011-2012, continuing the steady decline of recent years. Details are on page 38.

Note: All monetary amounts are in Canadian dollars unless otherwise stated.

FIGURE 1: FINANCIAL HIGHLIGHTS



Corporate developments

Research activities

Four new program prospectuses were approved by the Board of Governors in June 2011. A program prospectus describes a program's objectives, outcomes, and the portfolio of projects the Centre intends to support. The four new programs are:

- Information and Networks
- Innovation for Inclusive Development (closed due to the deficit reduction action plan).
- Governance for Equity in Health Systems
- Non-Communicable Disease Prevention

Government of Canada deficit reduction action plan

An extraordinary meeting of the Board of Governors was held in August 2011 to determine, together with management, the guiding principles that formed the basis of the cost reduction strategies submitted to Treasury Board.

One of the outcomes is the closing of the Centre's Dakar and Singapore offices. Operations in Asia will be centralized in New Delhi; operations in sub-Saharan Africa will be consolidated in Nairobi. The Montevideo regional office remains the Latin American hub, while the Cairo office remains the Middle East and North African hub.

The Board of Governors will be reduced from 18 members to 14 under an amendment to the *IDRC Act* included in Bill C-38 (the *Budget Implementation Act*).

Quarterly financial reporting

In compliance with the *Financial Administration Act*, the Centre issued quarterly financial reports and unaudited quarterly financial statements for the first three quarters of 2011-2012.

Changes in key personnel

The following changes occurred within the Senior Management Committee during 2011-2012:

- Rohinton Medhora, Vice-President, Programs and Partnerships Branch, left his position in the spring of 2012. Jean Lebel, formerly Director of Agriculture and Environment in the Programs and Partnerships Branch, was appointed to the position, effective 2 April 2012.
- Lauchlan T. Munro, Vice-President, Corporate Strategy and Regional Management, left the Centre in May 2012. Annette Nicholson, formerly Secretary and General Counsel, was appointed to the position.

Risk management

Risk management is a Centre-wide responsibility and is integrated into business processes. Responsibility is shared by the Board of Governors, the Board's Finance and Audit Committee, senior management, and the Centre's work units. The areas of highest risk faced by the Centre during 2011-2012 are listed below.

Risk trend: ↓ Decreasing → Stable ↑ Increasing

Key risk	Risk mitigation actions	Risk trend	Expected impact
Funding The government-wide deficit reduction action plan will affect the Centre funding in 2012-2013 and beyond. Changes in donor funding priorities could reduce financial resources for programming.	Cost-saving plans were developed. Staffing controls introduced in 2010-2011 were maintained. New donor partnerships have been negotiated. The Centre participated in global philanthropic initiatives. The Centre will continue to improve its partnering processes.	↓	Plans are being implemented to reduce costs by 11.1% over three years. Eight new donor agreements are anticipated for 2012-2013.
Work priorities and workloads Perceptions of increasing workloads and uncertain financial situation could negatively affect staff performance.	Non-essential activities were discontinued. A Quick Pulse employee survey identified human resource priorities. Regular internal communications kept staff informed of deficit reduction action plan developments. Employees were encouraged to take leave, to participate in wellness activities, and to take advantage of Employee Assistance Programs.	**New**	New business processes and technologies will increase efficiency and decrease workload. Management will continue to support staff through the deficit reduction action plan implementation process.
Information management and technology Changing IT environment could lead to loss of valuable program and research data.	IT strategies were revised to reduce risk and to better support the creation of, access to, and sharing of information. IT infrastructure and security systems were upgraded.	↑	IT operations will continue to be rationalized and costs reduced. The IT Infrastructure Renewal plan will continue to be implemented. Collaborative work sites will be created to share information on the Centre's programs and projects.

(continued...)

Risk management *(continued from previous page)*

Risk trend: ↓ Decreasing → Stable ↑ Increasing

Key risk	Risk mitigation actions	Risk trend	Expected impact
Country risk Staff safety and operations in Cairo, Dakar, and Nairobi could be disrupted by deteriorating security situations.	The Centre has business continuity plans in place and carefully monitors the security and political environments of its regional offices. The Security and Emergency Planning Team met regularly. Unnecessary travel to high risk areas was banned.	→	Security risk is inherent in the Centre's work and situations will continue to arise.
Adequacy of staffing Recruiting, training, and retaining a skilled international workforce pose challenges.	Compensation practices were reviewed. A staff survey was completed. Outreach efforts were intensified to recruit professionals.	↓	The number of employees will decline as a result of the deficit reduction action plan. The global financial crisis and government staff reductions may increase the Centre's ability to attract and retain staff.
Communicating performance and reputation The Centre may have difficulty demonstrating its relevance and achievements.	The Centre intensified efforts to reach decision-makers and stakeholders through conferences, Parliamentary committees, and other activities; by contributing to policy debates; and through social media and publications. The Centre maintains open access to the results of the research it supports.	→	The Canadian constituency will remain a target audience for the Centre's communications. The Centre will continue to demonstrate the effectiveness of Canadian aid dollars.

Revenues

The Centre secures its funding from five sources: Parliamentary appropriation, donor contributions, recovery of administrative costs, investment income, and other income. Of these, the Parliamentary appropriation is the most significant and although it is included with revenues for discussion purposes, it does not appear as revenues on the Statement of comprehensive income.

TABLE 1: REVENUES

($000)	2012-2013 Budget	2011-2012 Revised budget	2011-2012 Actual	2011-2012 Variance	2010-2011 Actual	% change actual[a]
Parliamentary appropriation (Table 2)	167 549	211 976	239 441	27 465	195 199	22.7%
Donor contributions						
Funding for development research programming	39 837	45 014	42 095	(2 919)	46 299	-9.1%
Recovery of administrative costs	3 939	4 366	4 242	(124)	4 623	-8.2%
Investment income	1 472	902	1 251	349	627	99.5%
Other income	369	720	772	52	927	-16.7%
Total revenues	**213 166**	**262 978**	**287 801**	**24 823**	**247 675**	**16.2%**

[a] % change actual in 2011-2012 over 2010-2011.

Parliamentary appropriation revenue

The Centre receives a Parliamentary appropriation to deliver its mandate within the Government's international assistance envelope (IAE). The Parliamentary appropriation increased by 22.7% to $239.4 million from $195.2 million in 2010-2011, $27.5 million higher than budgeted. The growth is the result of higher revenues for the Development Innovation Fund, an additional appropriation of $27.5 million under the Fast-Start Climate Change Financing, partially offset by the non-recurrence of the one-time amount received in 2010-2011 for the African Adaptation Research Centres. The additional appropriation is provided to oversee 12 major research projects. This additional appropriation was approved at the end of 2011-2012 and received early in 2012-2013. Disbursement for the Adaptation Measures to Climate Change program will take place in the first quarter of 2012-2013.

The Parliamentary appropriation included transfers from other federal agencies that result from the Centre's collaboration with those agencies; they are not part of the long-term recurring funding base.

Development Innovation Fund–Health (DIF–Health)

The federal budget tabled in February 2008 created the Development Innovation Fund that brings together Canadian and developing-country scientists, and the private sector, to tackle persistent health challenges facing poor countries. The DIF is being overseen by a three-institution consortium led by the Centre. The portion of the Parliamentary appropriation intended for the DIF was $45.0 million in 2011-2012, an increase of $25.0 million over 2010-2011.

These funds are classified as restricted equity (see Table 8).

TABLE 2: APPROVED PARLIAMENTARY APPROPRIATION

($000)	2012-2013 Budget	2011-2012 Actual	2010-2011 Actual	% change actual[a]
Appropriation before transfers	**165 094**	**235 732**	**195 574**	**20.5%**
Appropriation transfers from				
Canadian Institutes of Health Research	500	300	172	74.4%
Public Health Agency of Canada	—	175	172	1.7%
Natural Sciences and Engineering Research Council of Canada	500	1 000	—	—
Social Sciences and Humanities Research Council of Canada	350	700	—	—
	1 350	2 175	344	532.3%
Total approved appropriation	**166 444**	**237 907**	**195 918**	**21.4%**
Deferrals and amortizations (Note 15)	1 105	1 534	(719)	—
Total appropriation recognized (Table 1)	**167 549**	**239 441**	**195 199**	**22.7%**

[a] % change actual in 2011-2012 over 2010-2011.

Donor contribution revenues

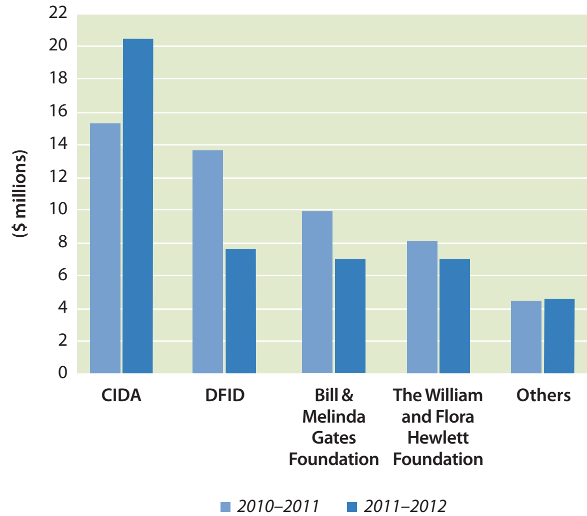
Donors contribute at the level of programs or of specific projects. Funds received are not recognized as revenue until the related expenses are incurred. Consequently, the impact of variances in donor contributions on the Centre's net results and year-end equity is limited to the amount of administrative costs recovered (or not) from donors. This explains the volatility in funding that can be seen in Figure 2.

Donor contribution revenues decreased by 9.1% to $42.1 million from $46.3 million in 2010-2011, ending the year $2.9 million lower than budgeted. The budget variance is due to the delayed onset of some research projects covered by a few large agreements, such as the Canadian International Food Security Research Fund and the Think Tank Initiative.

The **recovery of administrative costs** represents reimbursement for costs incurred to administer projects and to support project staff. Revenue in 2011-2012 was under budget by $0.1 million, which is not proportional to the donor contribution variance because of the range of costs and cost recovery rates among the contribution agreements.

The recovery of administrative costs remains stable at approximately 10% of direct project costs while the Centre's average administrative cost is 12% of direct project costs. The Centre has budgeted an average cost-recovery rate of 9.9% for 2012-2013, which reflects the implementation of a large agreement with a lower contracted administrative cost recovery due to lower projected administrative costs.

FIGURE 2: REVENUES FROM DONOR CONTRIBUTIONS [a]



[a] Expended on development research programming and administrative cost recovery.

CIDA: Canadian International Development Agency

DFID: Department for International Development (UK)

Investment income

Excess working capital is invested in high-quality money market instruments that returned investment income of $1.3 million in 2011-2012, an increase over 2010-2011 due to the higher amount available to invest and higher yields. The average yield on the Centre's bank account and investments was 1.16% compared to the average Treasury Bill yield of 0.89%.

Other income

Other income includes revenues associated with conference and catering facilities and other miscellaneous items such as the sale of publications and the subleasing of office space. Income from these sources amounted to $0.8 million in 2011-2012 compared to $0.9 million in 2010-2011.

FIGURE 3: RECURRING AND NON-RECURRING REFERENCE LEVEL

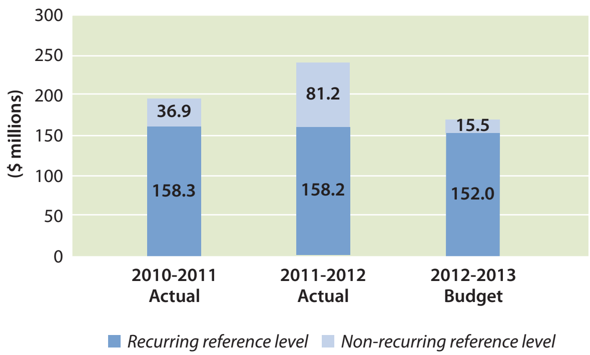
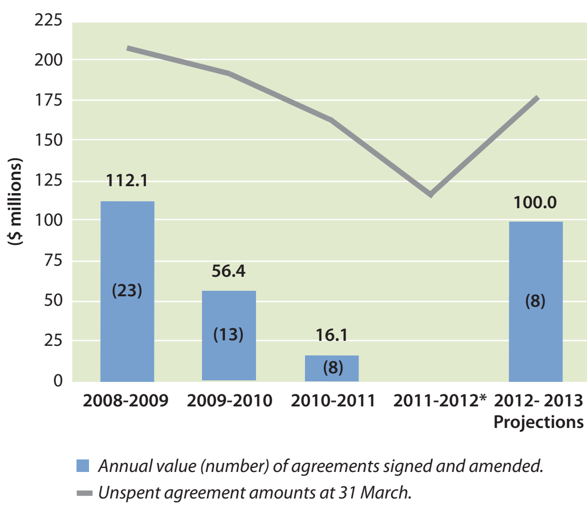


FIGURE 4: PROFILE OF DONOR CONTRIBUTIONS



* No new contribution agreements were signed in 2011-2012.

Revenue outlook

The IAE appropriation from Parliament is anticipated to be $167.5 million in 2012-2013, a net decrease of $71.9 million from 2011-2012. A significant portion of the decrease, $36.0 million, is related to the rescheduling of the appropriation for DIF. During 2012-2013, the Centre will submit a request to Treasury Board to re-profile the appropriation to more closely align with the Centre's expected disbursements over the duration of the DIF. This will prevent high levels of unspent DIF funds from accumulating in restricted equity.

The balance of the decrease in 2012-2013 revenue is due primarily to the one-time amount of $27.5 million approved in 2011-2012 for the AMCC, and the Parliamentary appropriation reduction of $6.2 million related to the Government of Canada's Budget 2012 reductions. The Centre will continue to receive Parliamentary appropriation transfers from other federal departments as detailed in Table 2 (see page 32).

The $6.2 million reduction in Parliamentary appropriation reduces the Centre's recurring reference level. The revenue reductions related to the DIF and AMCC are reflected in the non-recurring reference level amounts (see Figure 3).

Over the past several years, the Centre has entered into financial agreements with donors to fund entire programs rather than single projects. The implementation of these programs will continue during 2012-2013 with the most significant donors being CIDA, the Hewlett Foundation, and the Bill & Melinda Gates Foundation. During 2012-2013, management anticipates that most of the $39.8 million in donor contribution revenue for research projects and capacity building will come from existing donor agreements. The balance will come from new agreements signed during 2012-2013.

Partnerships are fluid and take time to negotiate. Despite no new contribution agreements in 2011-2012, the groundwork was laid for a substantial increase in donor funding for 2012-2013. Taking into consideration ongoing negotiations, management foresees the value of new contribution agreements signed in 2012-2013 to be approximately $100 million.

Of the $267 million in active agreements at 31 March 2012, $117 million remained to be spent over the remaining life of the agreements. Of this amount, $49 million had not been allocated (see Figure 5). A few agreements ended 31 March 2012: the most significant was the Climate Change Adaptation in Africa Research and Capacity Development program (CCAA) that has brought $45.7 million to the Centre's development research programming since 2006. Management expects to spend, and recognize as revenue, $43.8 million of the unspent donor contributions during 2012-2013.

The Centre's Parliamentary appropriation represented approximately 83% of total revenues in 2011-2012. This proportion will decrease to 78.6% in 2012-2013 as other sources of revenue remain relatively stable while the appropriation decreases (see Figure 6).

FIGURE 5: DONOR FUNDING AS AT 31 MARCH 2012

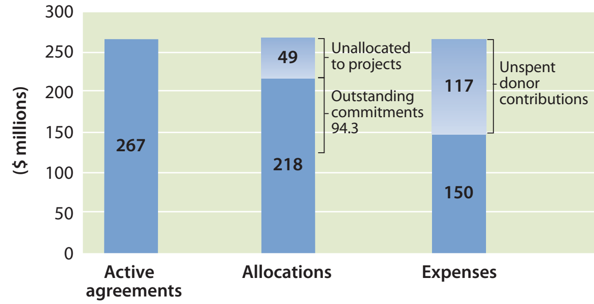
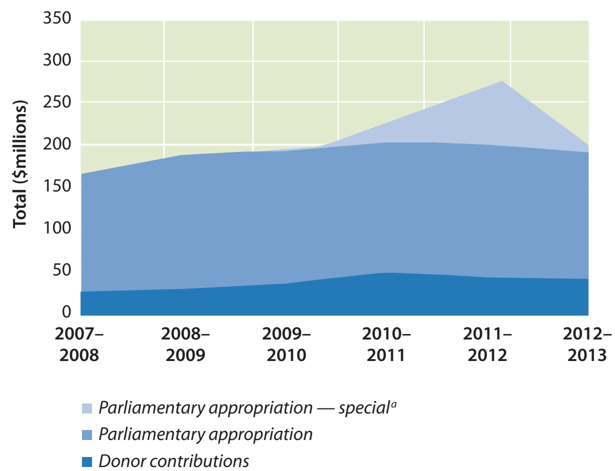


FIGURE 6: PARLIAMENTARY APPROPRIATION AND DONOR CONTRIBUTION REVENUE (ACTUAL AND PROJECTED)



[a] Special programs are funded from the non-recurring portion of the Centre's Parliamentary appropriation, including the DIF, AMCC, and AARC.

Expenses

The Centre tracks expenses under two main headings: development research programming and corporate and administrative services. Development research programming is tracked by two business lines: research projects and capacity building.

Development research programming expenses

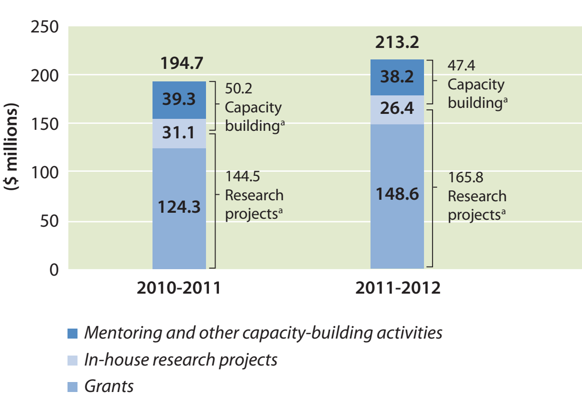
Development research programming expenses increased by 9.5% in 2011-2012 to $213.2 million, from $194.7 million in 2010-2011. The net increase was the result of a $22.7 million increase in expenses funded by the Parliamentary appropriation, offset by a $4.2 million decrease in expenses funded by donor contributions. The development research programming envelope consists of expenses for research projects and capacity-building activities. Research projects include grants to recipients for technical and scientific research projects as well as the Centre-administered (in-house) portion of research projects, which is expended by the Centre when there are no recipients to whom the work can be devolved. Capacity building is carried out through two main modalities related to the Centre's grants-plus business model: in-house projects and mentoring activities provided by the Centre.

TABLE 3: EXPENSES

($000)	2012–2013 Budget	2011–2012 Revised budget	2011–2012 Actual	2011–2012 Variance	2010–2011 Actual	% change actual[a]
Development research programming						
Research projects						
Funded by Parliamentary appropriation	163 714	121 463	128 891	7 428	104 641	23.2%
Funded by donor contributions	35 816	39 492	36 885	(2 607)	39 861	-7.5%
	199 530	160 955	165 776	4 821	144 502	14.7%
Capacity building						
Funded by Parliamentary appropriation	45 529	47 763	42 228	(5 535)	43 728	-3.4%
Funded by donor contributions	4 022	5 522	5 210	(312)	6 438	-19.1%
	49 551	53 285	47 438	(5 847)	50 166	-5.4%
	249 081	**214 240**	**213 214**	**(1 026)**	**194 668**	**9.5%**
Corporate and administrative services	**25 170**	**25 073**	**23 594**	**(1 479)**	**23 805**	**-0.9%**
Total expenses excluding restructuring costs	**274 251**	**239 313**	**236 808**	**(2 505)**	**218 473**	**8.4%**
Restructuring costs	**—**	**—**	**5 186**	**5 186**	**—**	**—**
Total expenses including restructuring costs	**274 251**	**239 313**	**241 994**	**2 681**	**218 473**	**10.8%**

[a] % change actual in 2011-2012 over 2010-2011.

FIGURE 7: DEVELOPMENT RESEARCH PROGRAMMING EXPENSES



[a] See Table 3.

When dividing total development research programming expenses by modality, we gain a different perspective on the make-up of these expenses. In 2011-2012, close to $148.6 million (or 69.7%) of the development research programming expenses were grant payments to recipients, compared to $124.3 million in 2010-2011 (or 63.9%) (see Figure 7). In-house projects represented $26.4 million of the development research programming expenses in 2011-2012, down from $31.1 million in 2010-2011. The Centre's mentoring costs decreased in 2011-2012 to $38.2 million of development research programming expenses from $39.3 million in 2010-2011.

TABLE 4: RESEARCH PROJECT EXPENSES BY PROGRAM FOR THE YEAR ENDED 31 MARCH 2012 ($000)

	2011–2012			2010–2011		
Program area	**Funded by Parliamentary appropriation**	**Funded by donor contributions**	**Total**	**Funded by Parliamentary appropriation**	**Funded by donor contributions**	**Total**
Agriculture and Environment	38 376	16 336	54 712	24 081	12 368	36 449
Science and Innovation	25 181	162	25 343	28 088	2 550	30 638
Social and Economic Policy	21 185	13 068	34 253	20 795	15 115	35 910
Global Health Policy	10 180	6 834	17 014	8 732	8 455	17 187
Development Innovation Fund	19 933	—	19 933	9 180	—	9 180
Donor Partnerships and Special Initiative Divisions	14 036	485	14 521	13 765	1 373	15 138
Total	**128 891**	**36 885**	**165 776**	**104 641**	**39 861**	**144 502**

Research project expenses reflect direct costs, mainly in the form of grants and scientific and technical research project funding, administered by the Centre as part of its ongoing programs. This category of expenses also includes individual training grants, scholarships, fellowships, internships, and individual research and research-related grants that support the work and activities undertaken by individuals. In 2011-2012, research project expenses funded by Parliamentary appropriation increased by 23.2% (in Table 3) to $128.9 million from $104.6 million in 2010-2011 due to higher expenses for the Agriculture and Environment program and the DIF. The increase in expense levels was $7.4 million higher than anticipated in the revised budget, a result of increased program allocations (see Other key financial indicators discussion on page 40).

The share of donor contribution activity decreased to 19.7% in 2011-2012 from 23.8% in 2010-2011, driving the share of development research programming expenses funded solely by the Centre to 70.6% from 64.8% in 2010-2011. The proportion of the Centre's development research programming expenses used as matching funds (or co-funding) to donor contribution funding decreased to 9.7% in 2011-2012 from 11.4% in 2010-2011 due to a decline in the number of agreements with donors. Generally, we match $3 against $1 from donors.

The **capacity-building** portion of development research programming expenses represents the Centre's advisory and knowledge-brokerage functions. During 2011-2012, expansion in capacity-building activities not related to donor contributions was constrained and several vacant positions were not filled. These actions were undertaken to reduce costs and anticipate the impact of the deficit reduction action plan. Capacity-building expenses, excluding restructuring costs, decreased 5.4% to $47.4 million in 2011-2012 from $50.2 million in 2010-2011; $5.8 million lower than budgeted. These savings were primarily due to underspending on travel, salaries and benefits, and professional services.

FIGURE 8: CORPORATE AND ADMINISTRATIVE SERVICES EXPENSES

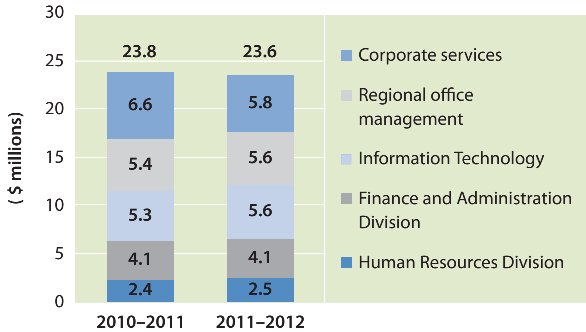


FIGURE 9: CORPORATE AND ADMINISTRATIVE SERVICES

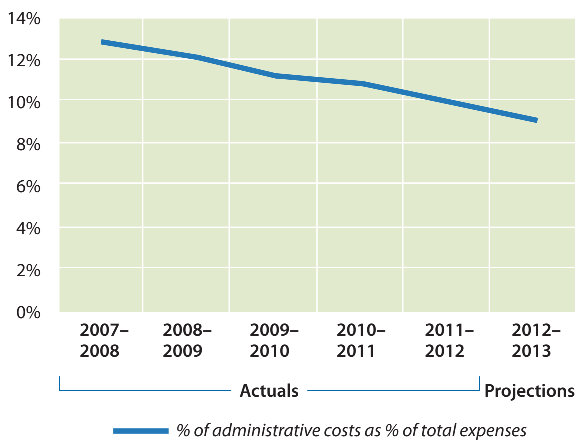


TABLE 5: RESTRUCTURING COSTS RECOGNIZED AS AT 31 MARCH 2012

($000)	2011-2012 Actual
Workforce adjustment payments	3 378
Reducing office space	1 149
Other costs	659
Total	**5 186**

Corporate and administrative services expenses

Corporate and administrative services support the Centre's overall operations and corporate responsibilities and are subject to the expense restraints mentioned in the preceding section. Expenses decreased by 0.9% to $23.6 million from $23.8 million in 2010-2011, $1.5 million less than budgeted, due primarily to underspending on professional services, travel, and salary and benefits. Spending by function remained relatively stable year over year with the exception of corporate services where expenses were reduced to $5.8 million in 2011-2012 from $6.6 million in 2010-2011.

As shown in Figure 9, corporate and administrative services declined from 12.8% of total expenses in 2007-2008 to a projected 9.2% in 2012-2013, demonstrable results of the Centre's effort to reduce administrative costs relative to program spending.

Restructuring costs

After the Government released the 2012 Budget and the schedule of appropriation reductions, management announced a restructuring plan. To reduce costs, this plan consolidated the Centre's business and reduced the number of programs. This resulted in the elimination of over 75 positions, which involved the layoff of 62 employees before the end of 2011-2012 (see Table 5).

Expenses outlook

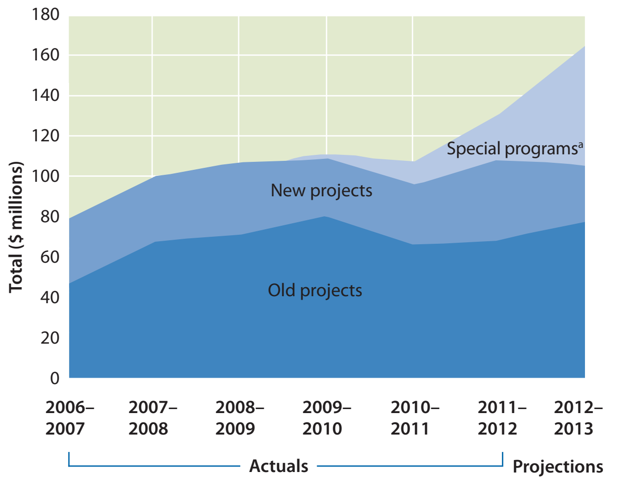
Expenses will reach $274.3 million during 2012-2013, a 13.3% increase from $242.0 million in 2011-2012.

Development research programming expenses are expected to increase by 20.3% to $199.5 million compared to actual expenses of $165.8 million in 2011-2012. The increase reflects planned expenses on the DIF and the AMCC.

Corporate and administrative services budgets are expected to remain stable at $25.2 million as management continues to reduce expenses related to corporate and administrative services, as well as the portion of capacity building not related to donor contributions. The 2012-2013 budget in Table 3 on page 36 does not reflect the full implementation of strategies to address the reduction of the Centre's appropriation due to the deficit reduction action plan.

Expenses for outstanding commitments funded by Parliamentary appropriation, excluding special programs, will reach $78.4 million in 2012-2013 (see "old" projects in Figure 10). This amount represents nearly 74.5% of the funding available for projects during the year. Funding available for new projects will drop from $39.1 million in 2011-2012 to $26.9 million in 2012-2013. Management expects funding for new projects to decline to about $24 million after 2012-2013 as the deficit reduction action plan is implemented.

FIGURE 10: PARLIAMENTARY APPROPRIATION-FUNDED PROGRAM EXPENSES



[a] Special programs are funded from the non-recurring portion of the Centre's Parliamentary appropriation, including the DIF, AMCC, and AARC.

DIF-related expenditures are expected to grow over the next 24 months at the pace at which projects are moving forward. That trend will have a favourable impact on the relative share of administrative services costs, reducing it proportionally to overall expenses.

Other key financial indicators

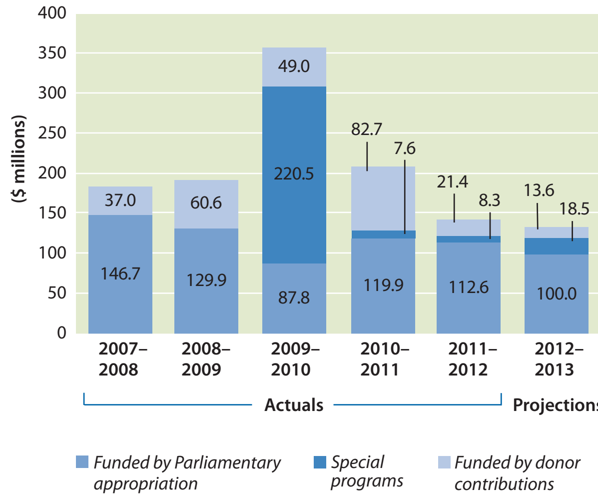
Program allocations funded by Parliamentary appropriation

Program allocations represent the funds approved for new research projects, which can span up to five years with disbursements over the project's lifespan. Recurring program allocations funded by the Parliamentary appropriation decreased 6.1% to $112.5 million in 2011-2012 from $119.8 million in 2010-2011. This includes the required matching funds for projects and programs co-financed with donors, which declined to $9.7 million from $20.7 million in 2010-2011. Nonetheless, recurring program allocations were $12.4 million higher than budgeted as management accelerated the timing of some projects originally planned for the first quarter of 2012-2013. Special programs funded by the Parliamentary appropriation increased 8.4% to $8.3 million in 2011-2012 (from $7.6 million in 2010-2011), mostly due to an unanticipated $6.9 million project allocated out of the AMCC program for which the Centre received the Parliamentary appropriation very late in the fiscal year. No funds could be disbursed for AMCC before 31 March 2012.

Program allocations funded by donor contributions

The program allocations funded by donor contributions decreased by 74.2% to $21.4 million in 2011-2012 ($1.5 million below budget) from $82.7 million in 2010-2011, a year that included unusually high allocations due to the rollout of the Think Tank Initiative in Latin America and South Asia and the approval of many research projects covered by the Canadian International Food Security Research Fund.

FIGURE 11: PROGRAM ALLOCATIONS (ACTUAL AND PROJECTED) 2007–2008 TO 2012–2013



About 82% of the $142.3 million program allocations made in 2011-2012 were committed during the 2011-2012 fiscal year; expenditures began for committed projects and will continue over their lifespans. The 2012-2013 program allocations funded by the Parliamentary appropriation are expected to be $100.0 million (see Figure 11), which reflects the reduction of the Parliamentary appropriation in the initial phase of the deficit reduction action plan. When co-funding pledges to projects are taken into consideration, the amount of funds available for programming not linked to donor contributions stands at $114.4 million or 87% of total program allocations of $132.1 million.

TABLE 6: OUTSTANDING COMMITMENTS ON DEVELOPMENT RESEARCH PROGRAMMING

($000)	2011–2012 Actual	2010–2011 Actual	% change actual[a]
Total outstanding commitments	**453 973**	**471 851**	**-3.8%**
Funded by Parliamentary appropriation	164 855	154 895	6.4%
Funded by Parliamentary appropriation – Special programs[b]	194 791	211 787	-8.0%
Funded by donor contributions	94 327	105 169	-10.3%

[a] % change actual in 2011-2012 over 2010-2011.

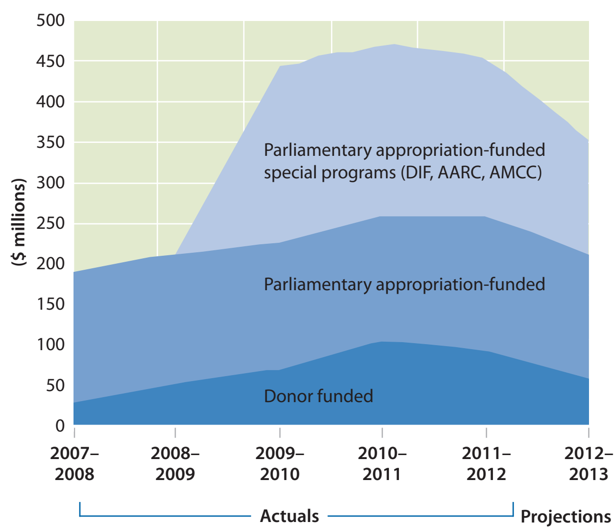
[b] This segregation is made by management to facilitate interpretation. At 31 March 2012, the amount included $188.9 million for the DIF ($208.8 million at 31 March 2011) and $5.9 million for AARC ($3.0 million at 31 March 2011). No commitments were made for AMCC.

As at 31 March 2012, the Centre is committed to payments of up to $454.0 million on development research programming activities over the next five years. Commitments are subject to funds being provided by Parliament ($359.7 million) and by donor partners ($94.3 million) and, with few exceptions, to recipients' compliance with the terms and conditions of their grant agreements. The decrease in outstanding commitments funded by donor contributions reflects donor contribution expenses for projects approved in the past being incurred during 2011-2012. The DIF-related outstanding commitment is $188.9 million. Excluding this amount and the outstanding commitments for AARC, the remaining outstanding commitment funded by Parliamentary appropriation increased by 6.4% to $164.9 million from $154.9 million in 2010-2011.

Of the $359.7 million in outstanding commitments funded by Parliamentary appropriation, $26.9 million is linked to projects co-financed by donor contribution agreements, which are included in the $164.9 million in Table 6.

Outstanding commitments for 2012-2013 are expected to decrease from 2011-2012 (see Figure 12) due to higher development research programming budgeted expenses (see Expenses section on page 35) and lower planned allocations for 2012-2013.

FIGURE 12: OUTSTANDING COMMITMENTS ON DEVELOPMENT RESEARCH PROGRAMMING



Statement of financial position discussion

TABLE 7: ASSETS AND LIABILITIES

($000)	2011–2012 Actual	2010–2011 Actual	% change actual[a]
Current assets	133 584	96 834	38.0%
Non-current assets	22 522	11 934	88.7%
Total assets	**156 106**	**108 768**	**43.5%**
Current liabilities	45 978	38 271	20.1%
Non-current liabilities	6 294	12 470	-49.5%
Total liabilities	**52 272**	**50 741**	**3.0%**

[a] % change actual in 2011-2012 over 2010-2011.

Total assets increased 43.5% to $156.1 million from $108.8 million in 2010-2011. The increase in current assets is largely due to higher accounts receivable for the March 2012 appropriation in support of the AMCC (received April 2012). The increase in non-current assets stems from the purchase of long-term investments to secure higher returns.

Total liabilities increased by 3.0% to $52.3 million from $50.7 million. The increase in current liabilities is due primarily to the significant restructuring provision resulting from the deficit reduction action plan and accrued employee severance benefits. In addition, deferred revenues related to the unspent portion of funds received from donor contributions has declined (see Note 12 from the Notes to the Financial Statements, page 62).

Effective with the 2011-2012 fiscal year, under International Financial Reporting Standards deferred revenue liability is not linked to capital assets. This resulted in a non-cash increase of $11.4 million in our 2011-2012 equity and serves as an offset to the future amortization of property and equipment and intangibles.

TABLE 8: EQUITY

($000)	2012–2013 Budget	2011–2012 Revised budget	2011–2012 Actual	2011–2012 Variance	2010–2011 Actual	% change actual[a]
Unrestricted	8 511	16 837	10 996	(5 841)	16 044	-31.5%
Internally restricted	2 461	47 013	74 996	27 983	24 249	209.3%
Reserved	17 358	17 842	17 842	—	17 734	0.6%
Total equity	**28 330**	**81 692**	**103 834**	**22 142**	**58 027**	**78.9%**

[a] % change actual in 2011–2012 over 2010–2011.

The Centre's equity is divided between internally restricted, reserved, and unrestricted. Internally restricted and reserved equity levels are established in accordance with the Centre's Equity Policy.

The Centre has **internally restricted** $75.0 million of the equity to be used for the DIF ($39.8 million), the AARC ($5.9 million), AMCC ($27.5 million) and two other internal projects (see Note 16, page 64). Restricted equity funds are set aside for the exclusive use of these activities in future years and therefore cannot be transferred between special purpose envelopes or unrestricted use. In accordance with our policy, internally restricted equity will be drawn down as funds are used for the special purposes for which they have been set aside.

The Centre has established a financial planning **reserve** of $17.8 million to stabilize its financial position and protect liquidity. A reserve is important for several reasons: the funding modality and contractual arrangements with project recipients are evolving; the timing of program spending depends on the performance of recipients; and small variances in project expenditure patterns can have a significant impact on total expenses. The Board of Governors has approved a policy requiring a financial planning reserve of 4.0% to 7.0% of the recurring Parliamentary appropriation. The reserve also includes a non-cash portion related to property and equipment and intangibles.

The **unrestricted** equity represents the surplus accumulated in recent years not set aside to cover either the financial planning reserve or internally restricted equity. Unrestricted equity decreased by 31.5% to $11.0 million from $16.0 million in 2010-2011.

Financial position outlook

Subsequent to the re-profiling of appropriation revenue (see Revenue outlook, page 34), the restricted equity level is projected to decline by almost $70 million or 90% by the end of 2012-2013.

Once the restructuring costs from the deficit reduction action plan are accounted for at the end of 2012-2013, the unrestricted equity will be near zero.

Other information

Critical accounting policies

A summary of our significant accounting policies can be found in Note 4 on page 54 in the Notes to the Financial Statements. Judgement is required in selecting accounting policies, and their application requires the use of estimates and assumptions. We have procedures to ensure that our policies are applied consistently and changes to methodologies and assumptions are well controlled.

Change in accounting standards

Effective 1 January, 2011, the Canadian Institute of Chartered Accountants adopted International Financial Reporting Standards (IFRS) for publicly accountable enterprises. Our 2011-2012 statements are compliant with IFRS (see Note 23 on page 68 for further details on our transition to IFRS). Pending standards and interpretations issued by the International Accounting Standards Board are discussed in Note 5 on page 58 of the Notes to the Financial Statements.

Quarterly financial reporting

In adherence to amendments made to the *Financial Administration Act*, the Centre will continue to issue quarterly financial reports, including unaudited quarterly financial statements, for the first three quarters of each fiscal year.

Four year historical review

($000)	Budget 2012–2013	Actual 2011–2012	2010–2011	2009–2010	2008–2009
Statement of comprehensive income					
Revenues					
Parliamentary appropriation	167 549	239 441	195 199	174 041	168 828
Donor contributions					
Funding for development research programming	39 837	42 095	46 299	35 109	29 675
Recovery of administrative costs	3 939	4 242	4 623	3 842	2 969
Investment income	1 472	1 251	627	288	1 096
Other income	369	772	927	1 181	1 196
Expenses					
Development research programming					
Research projects					
Funded by Parliamentary appropriation	163 714	128 891	104 641	108 430	108 324
Funded by donor contributions	35 816	36 885	39 861	27 839	22 289
Capacity building					
Funded by Parliamentary appropriation	45 529	42 228	43 728	43 597	42 383
Funded by donor contributions	4 022	5 210	6 438	7 270	7 386
Development research programming	249 081	213 214	194 668	187 136	180 382
Corporate and administrative services	25 170	23 594	23 805	23 811	25 047
Results of operations before restructuring costs	(61 085)	50 993	29 202	3 514	(1 665)
Restructuring costs	—	5 186	—	—	—
Net results of operations	(61 085)	45 807	29 202	3 514	(1 665)
Program allocations					
Development research programming					
Funded by Parliamentary appropriation	118 511	120 738	127 420	305 862	126 108
Funded by Parliamentary appropriation – specific programs and projects	—	152	74	2 432	3 769
Funded by donor contributions	13 600	21 366	82 669	49 046	60 621

(continued...)

Four year historical review *(continued from page 45)*

($000)	Budget 2012–2013	Actual 2011–2012	Actual 2010–2011	Actual 2009–2010	Actual 2008–2009
Statement of financial position					
Assets					
Cash and cash equivalents		9 494	14 235	23 238	39 076
Investments – current		92 199	73 884	45 982	21 407
Accounts receivables and prepaid expenses		31 891	8 715	11 277	16 071
Investments – non-current		11 157	—	—	—
Property and equipment		8 359	9 224	10 332	11 494
Intangible assets		3 006	2 710	2 019	1 271
Liabilities					
Accounts payable and accrued liabilities		19 237	15 541	14 452	15 927
Provision for restructuring		5 047	—	—	
Deferred revenue – current		21 694	22 730	34 304	35 956
Deferred revenue – non-current		2 011	5 843	8 980	17 819
Employee benefits		4 283	6 627	6 287	6 154
Equity					
Unrestricted	8 511	10 996	16 044	9 804	5 892
Internally restricted	2 461	74 996	24 249	5 225	700
Reserved	17 358	17 842	17 734	13 796	6 753
Accumulated other comprehensive income	—	—	—	—	118
Outstanding commitments					
Funded by Parliamentary appropriation	295 696	359 646	366 682	373 700	159 577
Funded by donor contributions	61 345	94 327	105 169	70 715	53 353

Note: 2011-2012 onward is accounted for under International Financial Reporting Standards; prior years are accounted for under Canadian Generally Accepted Accounting Principles. (See Note 23 from the Notes to the Financial Statements on page 68)

Financial statements

Management Responsibility for Financial Statements

The financial statements presented in this Annual Report are the responsibility of management and have been approved by the Board of Governors. The financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, include amounts that have been estimated according to management's best judgment. Financial information presented elsewhere in the Annual Report is consistent with the information presented in the financial statements.

Management maintains books of accounts, information systems, and financial and management controls that are designed to provide reasonable assurance as to the reliability of financial information. Management also asserts that the Centre's assets are safeguarded, that resources are managed economically and efficiently in the attainment of corporate objectives and that operations are carried out, in accordance with the *International Development Research Centre Act* and by-laws of the Centre.

The Centre's Internal Auditor has the responsibility for assessing the Centre's systems, procedures and practices. The Auditor General of Canada conducts an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. His audit includes appropriate tests and procedures to enable him to express an opinion on the financial statements. The external auditors have full and free access to the Finance and Audit Committee of the Board.

The Board of Governors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board benefits from the assistance of its Finance and Audit Committee in overseeing and discharging its financial management responsibility, which includes the review and approval of the financial statements. The Committee, which is made up of governors, meets with management, the internal auditors and the external auditors on a regular basis.

David M. Malone
President

Sylvain Dufour, ing., CPA, CMA
Vice-President, Resources, and CFO

Ottawa, Canada
June 26, 2012

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the International Development Research Centre and the Minister of Foreign Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the International Development Research Centre, which comprise the statements of financial position as at 31 March 2012, 31 March 2011 and 1 April 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended 31 March 2012 and 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Development Research Centre as at 31 March 2012, 31 March 2011 and 1 April 2010, and its financial performance and its cash flows for the years ended 31 March 2012 and 31 March 2011 in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied, after giving retrospective effect to the adoption of the new standards as explained in Note 23 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the International Development Research Centre that have come to my notice during my audits of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *International Development Research Centre Act* and the by-law of the International Development Research Centre.

Clyde M. MacLellan, CA
Assistant Auditor General
for the Auditor General of Canada

26 June 2012
Ottawa, Canada

Statement of Financial Position

as at
(in thousands of Canadian dollars)

	31 March 2012	31 March 2011	1 April 2010
Assets			
Current			
Cash and cash equivalents (Note 6)	9 494	14 235	23 238
Investments (Note 7)	92 199	73 884	45 982
Accounts receivable (Note 8)	30 155	7 143	9 594
Prepaid expenses	1 736	1 572	1 683
	133 584	96 834	80 497
Non-current			
Investments (Note 7)	11 157	—	—
Property and equipment (Note 9)	8 359	9 224	10 332
Intangible assets (Note 10)	3 006	2 710	2 019
	156 106	**108 768**	**92 848**
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 11)	19 237	15 541	14 452
Provision for restructuring (Note 22)	5 047	—	—
Deferred revenue (Note 12)	21 694	22 730	34 304
	45 978	38 271	48 756
Non-current			
Deferred revenue (Note 12)	2 011	5 843	8 980
Employee benefits (Note 13)	4 283	6 627	6 287
	52 272	50 741	64 023
Equity			
Unrestricted	10 996	16 044	9 804
Internally restricted (Note 16)	74 996	24 249	5 225
Reserved (Note 16)	17 842	17 734	13 796
	103 834	58 027	28 825
	156 106	**108 768**	**92 848**

Commitments (Note 17)
Contingencies (Note 18)

The accompanying notes form an integral part of these financial statements.

These financial statements were approved for issuance by the Board of Governors on 26 June 2012.

The Honourable Barbara McDougall
Chairperson
Board of Governors

Denis Desautels, FCA
Chairperson
Finance and Audit Committee

Statement of Comprehensive Income

for the year ended 31 March
(in thousands of Canadian dollars)

	2012	2011
Revenues		
Donor contributions (Note 14)		
Funding for development research programming	42 095	46 299
Recovery of administrative costs	4 242	4 623
Investment income	1 251	627
Other income	772	927
	48 360	52 476
Expenses		
Development research programming		
Research projects		
Funded by Parliamentary appropriation	128 891	104 641
Funded by donor contributions	36 885	39 861
Capacity building		
Funded by Parliamentary appropriation	33 291	34 302
Funded by donor contributions	5 210	6 438
Research complements	8 937	9 426
	213 214	194 668
Corporate and administrative services		
Corporate services	18 042	18 385
Regional office administration	5 552	5 420
	23 594	23 805
Total expenses	**236 808**	**218 473**
Cost of operations before Parliamentary appropriation and restructuring costs	(188 448)	(165 997)
Parliamentary appropriation (Note 15)	239 441	195 199
Restructuring costs (Note 22)	(5 186)	—
Net results of operations	**45 807**	**29 202**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March
(in thousands of Canadian dollars)

	2012	2011
Unrestricted equity		
Beginning of year	16 044	9 804
Net results of operations	45 807	29 202
Net transfers to reserved and internally restricted equity	(50 855)	(22 962)
Balance end of year	10 996	16 044
Internally restricted equity (Note 16)		
Beginning of year	24 249	5 225
Expenditures incurred	(22 652)	(9 985)
Additions	73 399	29 009
Balance end of year	74 996	24 249
Reserved equity (Note 16)		
Beginning of year	17 734	13 796
Financial planning reserve increase	108	3 938
Balance end of year	17 842	17 734
Equity, end of year	**103 834**	**58 027**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 March
(in thousands of Canadian dollars)

	2012	2011
Operating activities		
Net results of operations	45 807	29 202
Items not affecting cash		
Provision for restructuring	5 047	—
Amortization and depreciation of property and equipment and intangible assets	1 862	2 035
Amortization of bond premium	748	1 095
Gain on disposal of property and equipment	(37)	(41)
Employee benefits	(2 344)	340
Deferred revenue — non-current	(3 832)	(3 137)
	1 444	292
Change in non-cash operating items		
Accounts receivable	(23 012)	2 451
Prepaid expenses	(164)	112
Accounts payable and accrued liabilities	3 696	1 089
Deferred revenue — current	(1 036)	(11 574)
	(20 516)	(7 922)
Cash flows from operating activities	**26 735**	**21 572**
Investing activities		
Purchase of investments	(273 493)	(130 186)
Maturity of investments	243 273	101 189
Acquisition of property and equipment and intangible assets	(1 308)	(1 632)
Proceeds from disposition of property and equipment	52	54
Cash flows used in investing activities	**(31 476)**	**(30 575)**
Decrease in cash and cash equivalents	**(4 741)**	**(9 003)**
Cash and cash equivalents, beginning of year	**14 235**	**23 238**
Cash and cash equivalents, end of year	**9 494**	**14 235**
Composition of cash and cash equivalents		
Cash	4 502	2 751
Cash equivalents	4 992	11 484
	9 494	**14 235**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2012

1. Corporate information

The International Development Research Centre (the Centre), a Canadian Crown corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. The Centre is a registered charity and is exempt under section 149 of the *Income Tax Act* from the payment of income tax.

The Centre's head office is located at 150 Kent Street, Ottawa, Canada.

2. Authority and objective

The Centre is funded primarily through an annual appropriation received from the Parliament of Canada. In accordance with section 85(1) of the *Financial Administration Act*, the Centre is exempt from Divisions I to IV of Part X of the Act, except for sections 131 to 148 of Division III.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

3. Basis of preparation

The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand ($000) except where otherwise indicated.

a. Statement of compliance

For all years up to and including the year ended 31 March 2011, the Centre prepared its financial statements in accordance with Canadian generally accepted accounting principles. These financial statements, for the year ended 31 March 2012, are the first annual financial statements the Centre has prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Accordingly, the Centre has prepared financial statements that comply with IFRS applicable for years beginning on or after 1 April 2011. In preparing these financial statements, the Centre's opening statement of financial position was prepared as at 1 April 2010, the Centre's date of transition to IFRS. Note 23 explains the principal adjustments made by the Centre in restating its Canadian GAAP statement of financial position as at 1 April 2010 and its previously published Canadian GAAP financial statements for the year ended 31 March 2011.

b. IFRS 1 exemption adopted

The Centre has applied *IFRS 1 — First-time Adoption of International Financial Reporting Standards* which sets out the procedures that the Centre must follow when initially adopting IFRS as the basis for preparing its financial statements. The Centre is required to establish its IFRS accounting policies as at 31 March 2012 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, 1 April 2010. This standard also provides a number of optional exemptions to this general principle. The Centre chose to adopt one of these exemptions which is set out below.

Leases

The Centre has chosen to adopt the exemption from the retrospective application of *IFRIC 4 — Determining whether an arrangement contains a lease*. As a result, the Centre, as a first time adopter, has determined whether its arrangements existing at the date of transition to IFRS contain a lease on the basis of facts and circumstances that existed on 1 April 2010.

4. Summary of significant accounting policies

The significant accounting policies of the Centre are:

a. Revenue recognition

i) Parliamentary appropriations

Parliamentary appropriations are recorded as revenue in the year in which they are appropriated except for those received for specific projects and programs, which are deferred and recognized as related expenses are incurred. The Centre recognizes the appropriations and related expenses in the year on a gross basis in the statement of comprehensive income. The Centre does not receive Parliamentary appropriations for which the primary condition is that the Centre should purchase, construct, or otherwise acquire long-term assets, property and equipment. There are no conditions or contingencies existing under which the Parliamentary appropriation would be required to be repaid once approved and received by the Centre. The *IDRC Act* gives the Board of Governors the authority to allocate the appropriated funds.

ii) Donor contributions

The Centre enters into contribution agreements for research conducted or managed on behalf of other organizations. Funds received or receivable under donor contribution agreements are recorded as deferred revenues. These deferred revenues are recognized as revenues in the year in which the related expenses are incurred.

iii) Investment and other income

Investment income is recorded on an accrual basis and includes realized gains and losses on disposal of investments. Other income is comprised of rental, and subleasing income and other small refunds and earnings. All other income is recorded using the accrual basis of accounting.

b. Grant payments

All contractual grant payments are subject to the provision of funds by Parliament or by donor partners. They are recorded as an expense in the year they come due under the terms and conditions of the agreements. Refunds on previously disbursed grant payments are credited against the current year expenses.

c. Property and equipment, and depreciation

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repairs and maintenance expenditures are recognized in the statement of comprehensive income.

Depreciation is recognized on a straight-line basis. The estimated useful life of each asset category is as follows:

Asset category	Useful life
Computer equipment	3 years
Office furniture and equipment	5 years
Vehicles	3 to 7 years
Communication systems	5 years
Leasehold improvements	Remaining term of lease

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized. The assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively when necessary.

An assessment is made at each reporting date as to whether a property and equipment or a group of property and equipment assets is impaired. Any adjustment to the carrying value of the asset is recorded in the statement of comprehensive income. At 31 March 2012, the Centre had no impairment of property and equipment.

d. Intangible assets and amortization

The Centre's intangible assets consist of purchased software and internally developed software that is not an integral part of any hardware. The software is initially recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and method for intangible assets are reviewed at least at each financial year-end. Amortization is calculated using the straight-line method and the estimated useful life of the asset class is 3 to 10 years.

The amortization expense is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

An assessment is made at each reporting date as to whether an intangible or a group of intangible assets is impaired. Any adjustment to the carrying value of the asset is recorded in the statement of comprehensive income. At 31 March 2012, the Centre had no impairment of intangible assets.

e. Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date. It requires an assessment as to whether or not the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and whether or not the arrangement conveys the right to use the asset.

The Centre as a lessee

Leases that do not transfer to the Centre substantially all the risks and benefits incidental to ownership of the leased items are accounted for as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income over the lease term.

f. Financial instruments

The Centre has chosen to early-adopt IFRS 9 as at 1 April 2010, as its business model regarding financial instruments is closely aligned with requirements for using the amortized cost method outlined in IFRS 9. The Centre's financial instruments consist of cash, cash equivalents, investments, accounts receivable, accounts payable, and accrued liabilities that are incurred in the normal course of business. Financial instruments are initially recognized at fair value which is usually considered to be the transaction price (i.e., consideration given). Subsequent to initial recognition they are measured based on their classification. The classifications are as follows:

i) **Financial instrument**	**Classification and measurement**
Cash	Financial assets at fair value through profit and loss
Cash equivalents and investments	Financial assets at amortized cost
Accounts receivable	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost

ii) Cash and cash equivalents

Cash includes only funds on deposit at financial institutions. Cash equivalents consist of short-term money market instruments with maturities of 90 days or less at the time of acquisition.

iii) Investments

Investments are comprised of high quality money market and fixed income instruments with a maturity greater than 90 days at the time of acquisition. These investments are initially recognized at the transaction price, which is the fair value of the consideration given, plus transaction costs directly attributable to the acquisition. Purchases and sales of investments are recorded on the settlement date.

Investments are held to maturity in order to collect contractual cash flows. However, investments may be sold in response to changes in the Centre's liquidity requirements, to changes in the credit rating of the instruments or, to an imbalance in the asset mix relative to benchmarks stipulated in the Centre's investment policy. Gains and losses arising on derecognition or impairment are recognized in the statement of comprehensive income in the year in which they occur.

iv) Impairment of financial assets

An assessment is made at each reporting date as to whether a financial asset or group of financial assets is impaired. Any adjustment to the carrying value of the financial asset is recorded in the statement of comprehensive income. At 31 March 2012, the Centre had no impairment of financial assets.

v) Embedded derivatives

Embedded derivatives are required to be separated and measured at fair value if certain conditions are met. Management reviews contracts and determines, on an ongoing basis, whether the Centre has embedded derivatives requiring separate accounting treatment. At 31 March 2012, the Centre had no embedded derivatives.

g. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Assets and liabilities are translated at rates in effect when the assets were acquired or obligations incurred. Revenue and expense items are translated at a weekly rate of exchange. Exchange gains and losses are included in other income for the year. The Centre does not hedge against foreign currency fluctuations.

h. Employee benefits

i) Pension benefits — head office

Most employees of the Centre are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Centre to cover current service costs. Pursuant to legislation currently in place, the Centre has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year during which employees have rendered service and represent the total pension obligation of the Centre.

ii) Pension benefits — regional offices

The Centre offers a number of defined contribution plans that provide pension and other benefits to eligible employees. The Centre's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contribution to the plans. The Centre's contributions are expensed during the year in which the employee's services are rendered and represent the total obligation of the Centre.

iii) Other benefit plans

Severance benefit

Employees are entitled to a voluntary or involuntary departure severance benefit, as provided for under their conditions of employment. Under a new policy established in March 2012, severance benefits for voluntary departure will no longer accrue after 30 June 2012. After 30 June 2012, Centre employees with at least one year of service can receive their existing accumulated severance benefit as a lump sum payment, choose to receive it when leaving the Centre (upon voluntary resignation or retirement), or a combination of both.

Management determines the accrued obligation for severance benefits using an actuarial evaluation that is conducted every two years, or as necessary. The most recent actuarial estimate was completed for the year ended 31 March 2012. The cost of these benefits is accrued as employees render the services necessary to earn them. Actuarial gains and losses are fully expensed in the year for which the actuarial evaluation is performed.

Sick leave benefit

The Centre allows employees a number of fully paid sick days in each year. Unused sick days can be accumulated indefinitely but do not vest; they cannot be paid out in cash or used as vacation. Management determines the accrued obligation for sick leave benefits using an actuarial evaluation that is conducted every two years, or as necessary. The most recent actuarial estimate was completed for the year ended 31 March 2012. The Centre presents the accrual as a current liability. Actuarial gains and losses are fully expensed in the year for which the actuarial evaluation is performed.

i. Equity

The Centre's equity consists of the accumulation of revenues over expenditures from operations and includes unrestricted, internally restricted amounts for special programs and operational initiatives and reserved amounts.

i) Internally restricted equity

Internally restricted equity for special programs and operational initiatives is drawn down as the funds are used for the programs and initiatives. Internally restricted equity unused at the end of the programs and initiatives is reclassified by management into unrestricted equity.

ii) Reserved equity

Variances in regular program spending can have a significant impact on results of operations and therefore the equity balance. One of the objectives of the Centre's equity policy is to ensure that a sufficient balance is available to absorb these program expenditure variances. The Chief Financial Officer earmarks a minimum of 4% and a maximum of 7% of the Parliamentary appropriation as a financial planning reserve. Also, the CFO can reserve an additional amount to ensure sufficient liquidity for the internal financing of property and equipment. The value of the reserve is established each year during the budgeting process.

j. Use of judgments, estimates, and assumptions

The preparation of financial statements in accordance with IFRS principles requires management to make judgments, estimates, and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the year. However, uncertainty about these assumptions and estimates, or changes in the significant judgments made, could result in outcomes that require a material adjustment to the disclosed amounts of the assets or liabilities in future years.

i) Significant judgments

Leases

In the process of applying the Centre's accounting policies, apart from those involving estimation, management has made a significant judgment concerning the nature of the Centre's lease commitments as operating leases as opposed to finance leases.

ii) Assumptions and other major sources of estimation uncertainty

The key assumptions concerning the future and, other key sources of uncertainty in the estimations at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year are:

- the estimated useful lives of property and equipment
- the estimated useful lives of intangible assets
- the measurement of employee severance and sick leave benefits
- the probability of the settlement of contingent liabilities related to litigation
- the provision for restructuring.

No other accounting assumptions or estimates have been identified to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

iii) Provisions

Provisions are recognized when the Centre has a present obligation (legal or constructive) arising from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made for the amount of the liability. A provision for restructuring, recognized in March 2012, is comprised primarily of termination benefits and costs anticipated as a result of the closure of two regional offices. The Centre also currently establishes provisions for sick leave and severance benefits. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Provisions are reviewed at each statement of financial position date and changes in estimates are reflected in the statement of comprehensive income in the fiscal year in which changes occur.

5. Recent accounting pronouncements

The International Accounting Standards Board has a number of projects underway, some of which will affect standards relevant to the Centre. The Centre is closely monitoring the progress of these projects. Revisions and additions to the following standards could potentially have an impact on the financial statements and may require revisiting the Centre's conclusions. Except as indicated, the standards are effective for annual periods beginning on or after 1 January 2013.

New standards include:

- *IAS 1 — Presentation of financial statements* — amendments to revise the way other comprehensive income is presented. Effective for annual periods beginning on or after 1 July 2012.

- *IAS 19 — Employee benefits* — the standard has been amended to remove the option to use the corridor method to defer gains and losses; requires that the impact of revaluing pension assets and liabilities be recorded in other comprehensive income; and provide enhanced disclosure requirements for defined benefits plan.

- *IFRS 13 — Fair value measurement* — provides a consistent definition of fair value; guidance on how it should be measured; and other disclosure requirements for use all across IFRSs.

6. Cash and cash equivalents

(in thousands of Canadian dollars)

	31 March 2012	31 March 2011	1 April 2010
Cash	4 502	2 751	23 238
Cash equivalents	4 992	11 484	—
	9 494	14 235	23 238

The Centre's cash equivalents comprise money market instruments such as commercial paper, bankers' acceptances, and bearer deposit notes that are rated R-1 (low) or better by the Dominion Bond Rating Service (DBRS). The weighted average yield as at 31 March 2012 is 1.18% (31 March 2011: 1.15%; 1 April 2010: nil) and the average term to maturity at the time of purchase is 90 days (31 March 2011: 66 days; 1 April 2010: nil). Due to the short-term nature of these investments, the carrying amount is a reasonable approximation of fair value.

7. Investments

(in thousands of Canadian dollars)

	31 March 2012	31 March 2011	1 April 2010
Canadian chartered banks	85 011	45 945	4 982
Corporations	13 355	7 986	3 500
Foreign chartered banks	4 990	9 979	—
Federal, provincial, or municipal governments	—	9 974	37 500
	103 356	73 884	45 982

	31 March 2012	31 March 2011	1 April 2010
Current	92 199	73 884	45 982
Non-current	11 157	—	—
	103 356	73 884	45 982

The Centre invests in fixed income instruments such as bonds that are rated A or better by the DBRS, and money market instruments such as commercial paper, bankers' acceptances, and bearer deposit notes that are rated R-1 (low) or better by the DBRS. The weighted average yield as at 31 March 2012 is 1.27% (31 March 2011: 1.23%; 1 April 2010: 0.57%) and the remaining average term to maturity as at 31 March 2012 is 159 days (31 March 2011: 81 days; 1 April 2010: 148 days). The carrying amount of investments is a reasonable approximation of their fair value.

8. Accounts receivable

(in thousands of Canadian dollars)

Accounts receivable are incurred in the normal course of business and are due on demand. The carrying values of accounts receivable approximate their fair value due to the short-term nature of these instruments. Of the total from donor contributions, 78% is due from the Swedish International Development Agency and is not considered by management to present a significant credit risk (as at 31 March 2011: 86% and as at 1 April 2010: 85% were due from the Canadian International Development Agency).

	31 March 2012	31 March 2011	1 April 2010
Parliamentary appropriation	27 500	829	205
Other	2 318	2 840	2 014
Donor contributions	337	3 474	7 375
	30 155	7 143	9 594

The Parliamentary appropriation receivable at 31 March 2012 was voted in Parliament and received Royal Assent prior to the end of the fiscal year.

The Centre did not identify any receivables that are either past due or impaired as at 31 March 2012 (31 March 2011: nil; 1 April 2010: nil).

9. Property and equipment

(in thousands of Canadian dollars)

	Computer equipment	Office furniture & equipment	Vehicles	Communication systems	Leasehold improvements	Total
Cost						
at 1 April 2010	3 730	2 144	1 008	1 213	11 201	19 296
Additions	167	113	106	—	204	590
Disposals	(716)	(1 088)	(189)	(3)	(29)	(2 025)
at 31 March 2011	3 181	1 169	925	1 210	11 376	17 861
Additions	269	43	144	29	107	592
Disposals	(878)	(107)	(226)	—	—	(1 211)
at 31 March 2012	2 572	1 105	843	1 239	11 483	17 242
Depreciation						
at 1 April 2010	(3 078)	(1 773)	(815)	(690)	(2 608)	(8 964)
Depreciation for the year	(370)	(167)	(81)	(323)	(743)	(1 684)
Disposals	716	1 065	189	3	38	2 011
at 31 March 2011	(2 732)	(875)	(707)	(1 010)	(3 313)	(8 637)
Depreciation for the year	(309)	(140)	(121)	(171)	(702)	(1 443)
Disposals	879	96	222	—	—	1 197
at 31 March 2012	(2 162)	(919)	(606)	(1 181)	(4 015)	(8 883)
Net book value						
at 1 April 2010	652	371	193	523	8 593	10 332
at 31 March 2011	449	294	218	200	8 063	9 224
at 31 March 2012	410	186	237	58	7 468	8 359

10. Intangible assets

(in thousands of Canadian dollars)

	Internally developed software	Purchased software	Total
Cost			
at 1 April 2010	7 899	1 513	9 412
Additions	1 017	68	1 085
Disposals	(1 156)	(59)	(1 215)
at 31 March 2011	7 760	1 522	9 282
Additions	715	—	715
Disposals	—	—	—
at 31 March 2012	8 475	1 522	9 997
Amortization			
at 1 April 2010	(6 339)	(1 054)	(7 393)
Amortization for the year	(232)	(162)	(394)
Disposals	1 156	59	1 215
at 31 March 2011	(5 415)	(1 157)	(6 572)
Amortization for the year	(266)	(153)	(419)
Disposals	—	—	—
at 31 March 2012	(5 681)	(1 310)	(6 991)
Net book value			
at 1 April 2010	1 560	459	2 019
at 31 March 2011	2 345	365	2 710
at 31 March 2012	2 794	212	3 006

11. Accounts payable and accrued liabilities

(in thousands of Canadian dollars)

Accounts payable and accrued liabilities are incurred in the normal course of business. The amounts set out below represent the carrying value and are estimated to be the fair value owed by the Centre during the course of the next fiscal year.

	31 March 2012	31 March 2011	1 April 2010
Accounts payable	8 736	8 017	6 738
Payroll accruals	3 851	3 742	5 056
Severance benefit	3 717	359	406
Grant accruals	2 482	2 914	1 676
Other	451	509	576
	19 237	15 541	14 452

12. Deferred revenue

(in thousands of Canadian dollars)

Deferred revenue includes the unspent portion of funds received or receivable on donor contribution activities, and the unspent portion of certain Parliamentary appropriations received for specific projects and programs.

Details of these balances are as follows:

a. Donor contribution funding for development research programming

	31 March 2012	31 March 2011	1 April 2010
Current	20 178	21 011	32 059
Non-current	1 768	4 269	8 651
	21 946	25 280	40 710

Of the total deferred donor contribution funding, the Canadian International Development Agency accounts for $8 948 (31 March 2011: $7 694; 1 April 2010: $8 072) of which $8 875 (31 March 2011: $4 697; 1 April 2010: $1 751) was received during the year and $73 (31 March 2011: $2 997; 1 April 2010: $6 321) is receivable at year-end.

b. Parliamentary appropriations — projects and programs

	31 March 2012	31 March 2011	1 April 2010
Current	1 516	1 719	2 245
Non-current	243	1 574	329
	1 759	3 293	2 574

c. Total deferred revenues (sum of all of the above)

	31 March 2012	31 March 2011	1 April 2010
Current	21 694	22 730	34 304
Non-current	2 011	5 843	8 980
	23 705	28 573	43 284

13. Employee benefits

(in thousands of Canadian dollars)

a. Pension benefits — head office

Most of the employees of the Centre are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Centre. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate for the employer effective at year-end was 11.34% (31 March 2011: 11.38%). Total contributions of $3 937 (31 March 2011: $4 258) were recognized as an expense in the current year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with the Canada and Québec Pension Plan benefits and are indexed to inflation.

b. Pension benefits — regional offices

The Centre and eligible regional employees contribute to various defined contribution pension plans as specified in the Plan Agreements. The Centre's contributions to these plans for the year ended 31 March 2012 were $493 (31 March 2011: $439).

c. Severance benefit

The Centre provides a voluntary departure severance benefit to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no designated assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from available cash assets and future appropriations.

	31 March 2012	**31 March 2011**
Accrued benefit obligation — beginning of year	6 986	6 693
Current service cost	1 156	703
Interest cost	219	232
Benefits paid during the year	(550)	(765)
Actuarial loss	189	123
Accrued benefit obligation — end of year	8 000	6 986
Current	3 717	359
Non-current	4 283	6 627
	8 000	6 986
Significant actuarial assumptions used to determine the benefit cost:		
Discount rate	2.15%	3.40%
Rate of compensation increase	3.20%	3.20%

14. Donor contributions

(in thousands of Canadian dollars)

Donor contribution funding for development research programming relates specifically to research projects conducted or managed by the Centre on behalf of other organizations. A breakdown of the revenue and expense recognition for donor contributions is provided below:

	31 March 2012	**31 March 2011**
Canadian International Development Agency	18 917	13 957
Department for International Development (UK)	6 831	12 171
William and Flora Hewlett Foundation	6 224	7 399
Bill & Melinda Gates Foundation	6 182	8 955
Other Government of Canada entities	137	685
Other donor agencies	3 804	3 132
	42 095	46 299

The Centre recovers administrative costs from the management of donor contribution funding. The total recovery for the year ended 31 March 2012 was $4 242 (31 March 2011: $4 623) of which $1 692 (31 March 2011: $1 290) was from CIDA.

15. Parliamentary appropriation

(in thousands of Canadian dollars)

	31 March 2012	31 March 2011
Approved Parliamentary appropriation	237 907	195 918
Portion deferred for projects and programs	—	(2 400)
Amortization of deferred Parliamentary appropriation — projects and programs	1 534	1 681
Parliamentary appropriation recognized in the statement of comprehensive income	239 441	195 199

16. Equity

(in thousands of Canadian dollars)

a. Internally restricted

	31 March 2012				31 March 2011	1 April 2010
	Opening	Internally restricted this year	Expended	Closing value	Closing value	Opening value
African Adaptation Research Centres	8 382	—	(2 452)	5 930	8 382	—
Development Innovation Fund	15 867	44 100	(20 200)	39 767	15 867	5 225
Adaptation Measures to Climate Change	—	27 500	—	27 500	—	—
Other	—	1 799	—	1 799	—	—
Total	24 249	73 399	(22 652)	74 996	24 249	5 225

The African Adaptation Research Centres initiative helps deliver timely and independent scientific advice and expert assessment for adaptation investments and policy decisions across Africa. Funding was provided to existing organizations that demonstrated scientific leadership in adaptation and capacity to work effectively with decision-makers. Management has internally restricted the AARC funding due to the relative importance of the amount the Centre received in 2010-2011 all of which management intends to disburse to recipients by the end of 2013-2014.

A portion of the 2011-2012 Parliamentary appropriation was also internally restricted by management to finance the Development Innovation Fund. The DIF is a large initiative implemented by the Centre for the Government of Canada to support leading- edge scientific research that improves the lives of the poor in developing countries. The DIF is focused on global health research. Funding support is being provided to scientific institutions engaged in health research through a series of peer-reviewed grant competitions culminating in research awards to successful applicants. Management has segregated the DIF in its accounts because of its significant size and the potential impact any delays or variances in implementation could have on the Centre's overall results.

In March 2012, the Centre was informed that the *Appropriation Act No. 4 2011-12* received Royal Assent. The Act provided to the Centre an appropriation of $27.5 million, under the Fast-Start Climate Change Financing, to oversee 12 major research projects on water sector challenges associated with climate change in Asia, Latin America, and the Caribbean. The funds were not received prior to 31 March 2012 and consequently, the finalization of grant contracts for the Adaptation Measures to Climate Change program recipients will take place in early 2012-2013.

Equity was further internally restricted by $1.1 million to top up the investment interest income of an endowment bequeathed to the Centre to enable, in perpetuity, the annual awarding of the John G. Bene Fellowship in Community Forestry.

Management restricted an amount of $0.7 million to cover the costs of extraordinary work needed to prepare for the implementation of the Government of Canada's deficit reduction action plan.

b. Reserved

The CFO earmarked 7% (31 March 2011: 7%; 1 April 2010: 4%) of the budgeted Parliamentary appropriation as a financial planning reserve. Also, the CFO reserved an additional amount of $6.3 million (31 March 2011: $6.2 million; 1 April 2010: $6.2 million) to ensure sufficient liquidity for the internal financing of property and equipment.

17. Commitments

a. Program-related

The Centre is committed to making payments of up to $454.0 million (March 2011: $471.8 million) during the next five years, subject to funds being provided by Parliament or donor partners and subject to compliance by recipients with the terms and conditions of grant agreements. Of this amount, $359.7 million (March 2011: $366.7 million) is expected to be covered by funding from future Parliamentary appropriations and the balance of $94.3 million (March 2011: $105.1 million) by funding from donor contribution agreements.

b. Operating leases

(in thousands of Canadian dollars)

The Centre has entered into various contractual commitments for leases of office premises in Canada and abroad and for staff accommodation in various countries. The lease agreements expire at different dates up to 2022. Future payments related to these contractual commitments as at 31 March 2012 are as follows:

	31 March 2012	31 March 2011
Within one year	7 082	7 372
After one year, but not more than five	29 720	30 310
More than five years	46 092	51 445
Total future payments	82 894	89 127

The operating net lease expense recognized in the statement of comprehensive income for fiscal year ended 31 March 2012 is $7 563 (31 March 2011: $6 811).

18. Contingencies

Various claims have been asserted or instituted against the Centre. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. Based on the advice of legal counsel, management is of the opinion that these claims are unlikely to materialize.

19. Related party transactions

The Government of Canada is the parent of the Centre, has control over the Centre, and causes the Centre to be related, due to common ownership, to all Government of Canada-created departments, agencies, and Crown corporations. The Centre enters into transactions with other Government of Canada entities in the normal course of operations, under the same terms and conditions that apply to unrelated parties (as the Centre legislation establishes the Centre as not being an agent of the Crown). The transactions are recorded at their exchange amounts, which are determined to approximate fair value. Related party transactions are disclosed in Notes 8, 12 and 14 to these financial statements.

Compensation of key management personnel
(in thousands of Canadian dollars)

Key management personnel include the Board of Governors, the President, the three Vice-Presidents, and the Secretary and General Counsel. Compensation paid or payable to key management personnel during the year is summarized in the table below.

	31 March 2012	31 March 2011
Salaries and short-term benefits	1 235	1 490
Post-employment benefits	317	422
	1 552	1 912

20. Financial instrument risks

The principal risks to which the Centre is exposed as a result of holding financial instruments are credit risk, market risk, and liquidity risk. Risk management for investing activities is carried out by the Corporate Treasury function. Investments are held primarily for liquidity purposes, but may be held for longer terms. The Centre has various other financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities which arise directly from operations.

a. Credit risk

Credit risk is the risk that the counterparty to a financial instrument will default on its obligations to the Centre, thus resulting in financial losses. The Centre is exposed to credit risk since it has investments and extends credit to its recipients and donor partners in the normal course of business. The maximum exposure is represented by cash and cash equivalents, investments, and accounts receivable amounts presented on the Centre's statement of financial position. Credit risk associated with accounts receivable is considered by management to be minimal since most receivables are due from donor partners and Canadian government entities. The Centre's investment policy sets out guidelines that define the minimum acceptable counterparty credit rating pertaining to investments. The investments in financial institutions and Canadian government entities must have minimum ratings from two external rating agencies that are equivalent to Dominion Bond Rating Service (DBRS) ratings of R-1 (low) for short-term investments and A for long-term investments. The investment policy is reviewed and approved as required by the Board of Governors, and procedures which establish credit limits for each counterparty are reviewed by management at least annually. These policies and procedures are designed to manage and limit the credit risk associated with these financial instruments.

Concentrations of credit risk
(in thousands of Canadian dollars)

The Centre's primary exposure to credit risk is summarized as follows:

	DBRS rating	31 March 2012	31 March 2011	1 April 2010
Canadian chartered banks	R1-L	85 011	45 945	4 982
Corporations	R1-M	13 355	7 986	3 500
Foreign chartered banks	R1-M	4 990	9 979	—
Federal, provincial, or municipal governments	R1-L	—	9 974	37 500
		103 356	73 884	45 982

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: currency risk, interest rate risk, and other price risk. The Centre is exposed to potential losses as a result of movements in interest and foreign exchange rates.

i) Currency risk

Currency risk is the potential adverse impact of foreign exchange rate movements on the fair value or future cash flows of financial instruments. The Centre has exposure to currency risk in part from the operating costs of six regional offices throughout the world. To manage this risk, the Centre normally funds regional operations to meet short-term requirements only, thereby minimizing currency balances and reducing exposure to significant foreign exchange rate movements.

The Centre has multi-year donor contribution agreements with non-Canadian donors which are denominated in currencies other than the Canadian dollar. When progress payments are received from donors, they are translated to Canadian dollars at the weekly exchange rate (see Note 4g). In turn, the Centre issues multi-year grant agreements which are denominated in Canadian dollars. The Centre manages its currency risk on these activities by setting aside a portion of the donor contribution agreement funding to absorb exchange gains and losses until such time that the full impact of the currency risk is known. The magnitude of the foreign currency funding set aside is gauged against actual fluctuations on a yearly basis, with additions being made only when needed, and releases being made only toward the end of the agreement, when no longer required. The Centre’s currency risk is not considered material.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre is exposed to interest rate risk in that changes in market interest rates may cause fluctuations in the fair value of its investments. To manage this risk, the Centre normally invests in short-term marketable securities that are not significantly affected by variations in interest rates. The Centre’s business objective is to hold investments until maturity, collecting contractual cash flows over the term of the investment and mitigating exposure to fair value changes. The Centre’s interest rate risk is not considered material.

c. Liquidity risk

Liquidity risk is the risk that the Centre will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk can arise from mismatched cash flows related to assets and liabilities. The treasury function within the Corporate Accounting unit is responsible for the Centre’s liquidity management. This risk is managed by monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Centre also holds cash equivalents and investments in marketable securities readily convertible to cash, to ensure that sufficient liquidity can be made available to meet forecasted cash requirements. Given the timing of receipts and payments, the Centre’s exposure to liquidity risk is not considered material.

21. Capital management

The Centre defines its capital as the balance of equity comprised of unrestricted, internally restricted amounts for special programs and operational projects, and reserved amounts. The Centre has a capital management process in place to ensure that it is appropriately capitalized and that the capital position is identified, measured, managed, and regularly reported to the Board of Governors.

The Centre's objectives, with respect to its capital management, are to maintain an appropriate amount of equity in order to ensure the Centre has the ability to moderate the impact on research programming activities of potential fluctuations in future revenue streams.

Capital is managed through a Board-approved equity policy which restricts a portion of equity to fund special or significant programs and operational initiatives planned for future fiscal years. Management also reserves a portion of equity as a financial planning reserve. The financial planning reserve is intended to cushion the impact of significant variances in development research programming expenditures. The Centre is not subject to any externally imposed capital requirements.

22. Provision for restructuring

(in thousands of Canadian dollars)

The Centre was part of the Government-wide review of all federal expenditures aimed at reducing the federal budget deficit and improving operational efficiencies. The Centre's Parliamentary appropriation revenue will be reduced by just under $23.0 million over three years as a result of this announcement. The reduction represents just over 11% of the Centre's Parliamentary appropriation that was included in the Government's review ($207.4 million). On 30 March 2012, the Centre announced its restructuring strategy. The resulting changes include:

- reducing the size of its Board of Governors
- consolidating its Asian presence into one office in New Delhi
- consolidating its sub-Saharan Africa presence into the Nairobi office
- ceasing activities in the field of social innovation, the principal component of which is ending the Innovation for Inclusive Development program
- a number of administrative process improvements and office space and personnel reductions.

At the conclusion of this process, the Centre will have four regional offices (in Cairo, Montevideo, Nairobi, and New Delhi) along with the head office in Ottawa.

A provision of $5.2 million for restructuring was established when the restructuring initiative was announced. The Centre is expected to complete the restructuring process during the 2012-2013 fiscal year.

	31 March 2012	31 March 2011
Provision for restructuring — beginning of year	—	—
Additions for year	5 186	—
Restructuring expensed during the year	(139)	—
Provision for restructuring — end of year	5 047	—

23. Reconciliation of the financial statements from CGAAP to IFRS

(in thousands of Canadian dollars)

The following tables outline the changes that were required in order to produce IFRS-compliant financial statements as at 1 April 2010 (Statement of Financial Position) and the full financial statements as at and for the year ended 31 March 2011.

a. Statement of Financial Position

(in thousands of Canadian dollars)

Reconciliation as at 1 April 2010

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash		23 238	—	23 238
Investments	B	45 952	30	45 982
Accounts receivable		9 594	—	9 594
Prepaid expenses		1 683	—	1 683
		80 467	30	80 497
Non-current				
Property and equipment		10 332	—	10 332
Intangible assets		2 019	—	2 019
		92 818	**30**	**92 848**
Liabilities				
Current				
Accounts payable and accrued liabilities	C	14 202	250	14 452
Deferred revenue	A	36 281	(1 977)	34 304
		50 483	(1 727)	48 756
Non-current				
Deferred revenue	A	19 354	(10 374)	8 980
Employee benefits	C	6 152	135	6 287
		75 989	(11 966)	64 023
Equity				
Unrestricted	A & C	4 038	5 766	9 804
Internally restricted		5 225	—	5 225
Reserved	A	7 596	6 200	13 796
		16 859	11 966	28 825
Accumulated other comprehensive (loss) gain income	B	(30)	30	—
		16 829	11 996	28 825
		92 818	**30**	**92 848**

A, B, & C: See at the end of Note 23.

b. Statement of Financial Position

(in thousands of Canadian dollars)

Reconciliation as at 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash and cash equivalents		14 235	—	14 235
Investments	B	73 890	(6)	73 884
Accounts receivable		7 143	—	7 143
Prepaid expenses		1 572	—	1 572
		96 840	(6)	96 834
Non-current				
Property and equipment		9 224	—	9 224
Intangible assets		2 710	—	2 710
		108 774	**(6)**	**108 768**
Liabilities				
Current				
Accounts payable and accrued liabilities	C	15 294	247	15 541
Deferred revenue	A	24 436	(1 706)	22 730
		39 730	(1 459)	38 271
Non-current				
Deferred revenue	A	16 071	(10 228)	5 843
Employee benefits	C	6 369	258	6 627
		62 170	(11 429)	50 741
Equity				
Unrestricted	A & C	10 815	5 229	16 044
Internally restricted		24 249	—	24 249
Reserved	A	11 534	6 200	17 734
		46 598	11 429	58 027
Accumulated other comprehensive gain income	B	6	(6)	—
		46 604	11 423	58 027
		108 774	**(6)**	**108 768**

A, B, & C: See at the end of Note 23.

c. Statement of Comprehensive Income

(in thousands of Canadian dollars)

Reconciliation for the year ended 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Revenues				
Donor contributions				
Funding for development research programming		46 299	—	46 299
Recovery of administrative costs		4 623	—	4 623
Investment income		627	—	627
Other income		927	—	927
		52 476	—	52 476
Expenses				
Development research programming				
Research projects				
Funded by Parliamentary appropriation		104 641	—	104 641
Funded by donor contributions		39 861	—	39 861
Capacity building				
Funded by Parliamentary appropriation	C	34 258	44	34 302
Funded by donor contributions		6 438	—	6 438
Research complements	C	9 413	13	9 426
		194 611	57	194 668
Corporate and administrative services				
Corporate services	C	18 360	25	18 385
Regional office administration	C	5 382	38	5 420
		23 742	63	23 805
Total expenses		**218 353**	**120**	**218 473**
Cost of operations before Parliamentary appropriation		(165 877)	(120)	(165 997)
Parliamentary appropriation	A	195 616	(417)	195 199
Net results of operations		29 739	(537)	29 202
Other comprehensive gain income				
Net unrealized gains from available-for-sale financial instruments	B	36	(36)	—
Total comprehensive income		**29 775**	**(573)**	**29 202**

A, B, & C: See at the end of Note 23.

d. Statement of Changes in Equity

(in thousands of Canadian dollars)

Reconciliation for the year ended 31 March 2011

	Notes	CGAAP	Effect of transition to IFRS	IFRS
Unrestricted equity				
Beginning of year	A & C	4 038	5 766	9 804
Net results of operations	A & C	29 739	(537)	29 202
Transfers to reserved and restricted equity		(22 962)	—	(22 962)
Balance end of year		10 815	5 229	16 044
Internally restricted equity				
Beginning of year		5 225	—	5 225
Expenditures incurred		(9 985)	—	(9 985)
Additions		29 009	—	29 009
Balance end of year		24 249	—	24 249
Reserved equity				
Beginning of year	A	7 596	6 200	13 796
Financial planning reserve increase		3 938	—	3 938
Balance end of year		11 534	6 200	17 734
Equity, end-of-year before other comprehensive income		46 598	11 429	58 027
Accumulated other comprehensive (loss) gain income				
Beginning of year	B	(30)	30	—
Other comprehensive gain income	B	36	(36)	—
Balance end of year		6	(6)	—
Equity, end of year		**46 604**	**11 423**	**58 027**

A, B, & C: See at the end of Note 23.

e. Statement of Cash Flows

(in thousands of Canadian dollars)

Reconciliation for the year ended 31 March 2011

	CGAAP	Effect of transition to IFRS	IFRS
Operating activities			
Net results of operations	29 739	(537)	29 202
Items not affecting cash			
Amortization of property and equipment and intangible assets	2 035	—	2 035
Amortization of deferred revenue — property and equipment and intangible assets	(2 035)	2 035	—
Amortization of bond premium	1 095	—	1 095
Gain on disposal of property and equipment and intangible assets	(41)	—	(41)
Employee benefits	217	123	340
Deferred revenue — non-current	(3 137)	—	(3 137)
	(1 866)	2 158	292
Change in non-cash operating items			
Accounts receivable	2 451	—	2 451
Prepaid expenses	112	—	112
Accounts payable and accrued liabilities	1 092	(3)	1 089
Deferred revenue — current	(11 574)	—	(11 574)
	(7 919)	(3)	(7 922)
Cash flows from operating activities	**19 954**	**1 618**	**21 572**
Financing activities			
Parliamentary appropriation used for property and equipment and intangible assets	1 618	(1 618)	—
Cash flows from financing activities	**1 618**	**(1 618)**	—
Investing activities			
Purchase of investments	(130 186)	—	(130 186)
Maturity of investments	101 189	—	101 189
Acquisition of property and equipment and intangible assets	(1 632)	—	(1 632)
Proceeds from the disposition of property and equipment and intangible assets	54	—	54
Cash flows used in investing activities	**(30 575)**	**—**	**(30 575)**
Decrease in cash and cash equivalents	**(9 003)**	**—**	**(9 003)**
Cash beginning of year	**23 238**	**—**	**23 238**
Cash and cash equivalents, end of year	**14 235**	**—**	**14 235**
Composition of cash and cash equivalents			
Cash	2 751	—	2 751
Cash equivalents	11 484	—	11 484
	14 235	—	**14 235**

Note A IAS 20 requires the recognition of untargeted government grants as revenue in the period it is received. Under Canadian GAAP, the portion of government grants used for property and equipment, and intangible assets was held in deferred revenue and recognized as revenue as the assets were depreciated or amortized.

The impact at 1 April 2010 of recognizing accumulated deferred revenue linked to property and equipment and intangible assets resulted in a $12 351 decrease in deferred revenue ($1 977 current and $10 374 non-current) and a corresponding increase in equity (unrestricted $6 151 million and reserved $6 200). At 31 March 2011, the effect on equity was $11 934.

Note B IFRS 9 allows for alternative classification of financial instruments. Upon transition, the Centre classified investments at "amortized cost" instead of "available for sale" under Canadian GAAP. This classification eliminated the need to record changes in the fair value of investments through Other Comprehensive Income.

At 1 April 2010, unrestricted equity increased by $30. On 31 March 2011, unrestricted equity decreased by $6.

Note C IAS 19 requires the accrual of amounts related to benefits given to employees. The standard also strongly encourages organizations to use an actuary to determine the amount of the liability.

Based on the actuarial valuation performed, it was determined that although the sick leave benefit does not vest, it represented potential future costs of $250 at 1 April 2010. The actuary also determined that the future severance benefit costs were underestimated by $135 at 1 April 2010. Both of these amounts were transferred from unrestricted equity.

These line items were further adjusted at 31 March 2011 by a reduction of $3 for sick leave and an increase in severance of $123. In other words, at 31 March 2011 accounts payable and accrued liabilities related to sick leave was $247 ($250-$3) and the non-current employee benefits liability was $258 ($135+$123).

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Innovating for development

Canada's contribution

To achieve self-reliance, poor communities need answers to questions like: How can we grow more and healthier food? Protect our health? Create jobs? A key part of Canada's aid program since1970, IDRC supports research in developing countries to answer these questions.

IDRC also encourages sharing this knowledge with policymakers, other researchers, and communities around the world. The result is innovative, lasting local — and global — solutions that aim to bring choice and change to those who need it most.