IDRC | CRDI

Canada's International Development Research Centre

Putting research to work

Annual Report 2012-2013

Canada

Putting research to work | 2012–2013

(at March 31, 2013)

$201.5 million in revenues

- $157.5 million from Parliament
- $42.3 million from donor contributions
- $1.7 million other revenue

3% of Canada's international assistance

$162.0 million for new research activities

10 donor partners

860 research activities, **135** in Canada

705 institutions supported, **103** Canadian

206 individual awards

IDRC funds practical research in developing countries to increase prosperity and security, and to foster democracy and the rule of law, in support 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 solutions that aim to bring change to those who need it most.

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

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Message from the Acting Chairperson

The year that ended on March 31, 2013 has been a year of change at IDRC, but also of continuity in our work. The Honourable Barbara McDougall reached the end of her five-year term as Board Chairperson in early December 2012. David Malone, who served as President since 2008, left IDRC at the end of February 2013 to become Rector of the United Nations University in Tokyo. During the year, Frieda Granot also left the Board at the end of her term. In my capacity as Acting Chairperson, I would like to acknowledge their exemplary service. Governors benefited greatly from the insights and enthusiasm they brought to the boardroom table.

The Board developed a transition plan to ensure the Centre's smooth functioning in the event of an interval before the arrival of a new president. We were fortunate to be able to draw on a wealth of in-house experience. Jean Lebel, who will serve as President until the Government appoints a permanent successor, has held increasingly senior roles since joining IDRC in 1997, most recently as Vice-President, Programs and Partnerships. He has been ably assisted by a strong team in keeping IDRC's work on a steady course. It is a tribute to the dedication and professionalism of all staff that IDRC has been able to seamlessly pursue its mission during this year of considerable change.

A Board priority is to oversee the progress of IDRC's Strategic Framework 2010-2015. I am proud to report that the Centre has delivered on its commitments under this plan, while at the same time reducing expenses in line with Budget 2012. Closing two of IDRC's six regional offices and losing valued staff members were difficult but necessary parts of this process. In the past year, the two sub-Saharan regional offices merged into one, in Nairobi, and the two Asian offices merged into the New Delhi office. Both these moves concluded successfully, with impacts on programming kept to a minimum.

As always, IDRC advances Canada's foreign policy priorities by using science and innovation to build bridges between countries and improve lives in the developing world. In addition to drawing on extensive international networks, IDRC increasingly engages the Canadian research community in these efforts.

Looking forward, the Board will soon be deeply engaged in helping to design the Centre's next five-year strategic plan. The plan guiding IDRC's work from 2015 to 2020 will seek to maintain the Centre's tradition of research excellence, relevance, and prudent financial management. ■

L. Denis Desautels

L. Denis Desautels, OC, FCA
Acting Chairperson

Message from the President

This year was a time of transition at IDRC, and also one of steady achievement. We forged significant new international funding partnerships and helped strengthen Canada's position as a leading funder of science and innovation for development. I'm proud to say that IDRC, in its 44th year, has stayed true to its mandate of helping developing countries solve their own problems through cutting-edge research. This support focuses on results, builds self-reliance, and contributes to global prosperity.

A pioneering program that is helping Africa's brightest young minds fulfill their potential in math and science exemplifies this approach. IDRC administers the Government of Canada's $20 million contribution to the African Institute for Mathematical Sciences, which opened a third campus this year, joining existing centres in South Africa and Senegal. At the launch of AIMS-Ghana, Canada's High Commissioner to Ghana, Her Excellency Trudy Kernighan, said: "Investing in developing countries to improve people's lives is the right thing to do. It is also an investment in a shared future prosperity."

IDRC helps the Government of Canada advance its food security agenda by building on our track record of support for applied research to combat hunger and malnutrition. Our flagship program with CIDA, the Canadian International Food Security Research Fund, disbursed new grants this year. One recipient — the University of Alberta's Lorne Babiuk, 2012 winner of the prestigious Gairdner Award — is working with South African researchers to develop a single, inexpensive vaccine to protect livestock from five major diseases. In addition, we are excited to have joined forces with the respected Australian Centre for International Agricultural Research. Together we will fund research in East and Southern Africa that addresses the nutritional needs of expectant mothers and young children, among other at-risk groups.

We also signed important new agreements with a key funding partner, the UK Department for International Development. This year DFID and IDRC began a major research effort aimed at boosting the resilience of the most vulnerable people in climate change hot spots in Africa and Asia. DFID also tripled its original contribution to our joint Safe and Inclusive Cities initiative, which is finding ways to reduce violence and increase opportunities and security in the world's growing cities.

Our appropriation from the Parliament of Canada helps us leverage large partnerships such as these, extending the reach and impact of taxpayer dollars. IDRC's strength also lies in the hundreds of ongoing smaller projects that collectively earn the Centre its solid international reputation. IDRC-funded research improves lives and livelihoods around the world. It also opens doors for Canada, and enhances our standing as a country that contributes to a better world for all.

After 16 years at IDRC, most recently as President, I'm more convinced than ever of the value of the Centre's work. I look forward to working with the talented IDRC team to ensure that our programming remains relevant and continues to address the emerging challenges of a fast-changing world. ■

Jean Lebel, PhD
President

"IDRC's work is based on the conviction that knowledge and innovation can effect positive change in the social, economic, environmental, and political conditions of the poor, marginalized, or otherwise excluded people of developing countries."

— IDRC Strategic Framework 2010-2015

Putting research to work

Our mandate

The *IDRC Act* directs the International Development Research Centre "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." To fulfill our 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

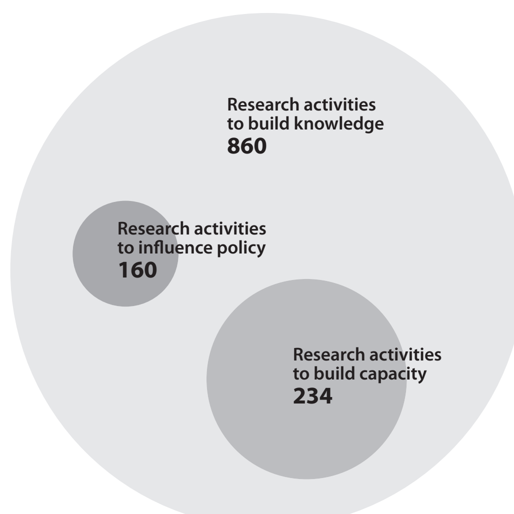
- provide financial support to researchers in developing countries for applied research on the social, economic, and environmental problems they identify as crucial;
- engage with researchers throughout the research process;
- act as a research broker to further networking among grantees as well as between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

Our objectives

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

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

In pursuing these goals through its program activities, IDRC follows trends in Canadian, foreign, development, and science and technology policy-making. We also contribute to major Canadian government initiatives, as well as to Canada's international development priorities.



Summary of operations | Corporate profile

A Crown corporation, IDRC supports 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.

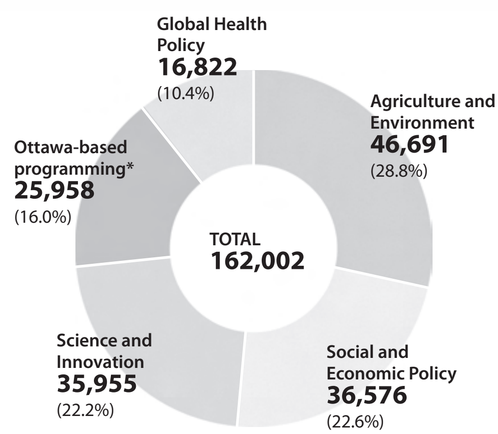
This year was the third under our Strategic Framework 2010-2015, which sets directions to ensure that our programming responds to the priorities of Canada's international development assistance and science and technology agendas, as well as to evolving needs in developing countries.

Our thematic programs aim to secure the future of children and youth; increase food security; stimulate economic growth; build more secure and democratic societies; and promote science and innovation. Woven through these fields of enquiry is a focus on ensuring that men and women can contribute equally to the search for solutions and benefit from advances. In addition, our Canadian Partnerships program fosters innovative approaches to development challenges by linking academic and practitioner communities in Canada and in developing countries. We also offer scholarships and awards to build the research skills of developing-country researchers, institutions, and Canadian researchers.

Agriculture and Environment	**Global Health Policy**	**Science and Innovation**	**Social and Economic Policy**	**Special Initiatives Division**
• Agriculture and Food Security • Canadian International Food Security Research Fund • Collaborative Adaptation Research Initiative in Africa and Asia • Climate Change and Environmental Economics • Ecosystems and Human Health	• Development Innovation Fund • Global Health Research Initiative • Governance for Equity in Health Systems • Non-Communicable Disease Prevention	• African Institute for Mathematical Sciences • Research Partnerships Challenge Fund • Information and Networks	• Governance, Security, and Justice • Supporting Inclusive Growth • Think Tank Initiative	• Canadian Partnerships • Fellowships and Awards

ALLOCATIONS BY PROGRAM AREA
2012-2013 ($000)

* Ottawa-based programming includes the Special Initiatives and Donor Partnerships Divisions; the Corporate Strategy and Evaluation and the Communications Divisions; and the Regional Activity and Forward-Planning Funds.



"It is through the interaction of ideas, people, and money in development research and policy institutions in Canada and abroad that the Centre puts its precepts into action."

— IDRC Strategic Framework 2010-2015

IDRC offices and allocations by region

IDRC supports research in all of Canada's international assistance focus countries, as well as in others. Our head office is in Ottawa. In 2012-2013 we maintained four regional offices across the developing world.

Global activities

Allocations ($000): **20,059** (12.4% of total)
Research activities: **234**

Sub-Saharan Africa

Allocations ($000): **63,717** (39.3% of total)
Research activities: **268**

Asia

Allocations ($000): **40,791** (25.2% of total)
Research activities: **151**

Latin America and the Caribbean

Allocations ($000): **32,386** (20.0% of total)
Research activities: **147**

Middle East and North Africa

Allocations ($000): **5,049** (3.1% of total)
Research activities: **60**

Sharing global knowledge for development

Research results and documents generated by IDRC-supported projects, IDRC recipients, and IDRC staff are a tangible intellectual output of the Centre's mandate.

Our digital library helps developing-country researchers engage in the international dialogue on important development issues and increases the impact of their research. This repository of research results created by our grantees now provides free and open global access to most of the more than 49,000 documents in the library. In addition, the IDRC Development Research Information System (IDRIS+) offers open access to all of IDRC's project descriptions and research outputs.

IDRC also provides free full-text digital editions of the scholarly works we publish in collaboration with commercial and academic presses around the world. We added 14 titles to our collection in 2012-2013. The quality of the research we publish was recognized this year by *Choice* magazine, which selected *Population Aging and the Generational Economy: A Global Perspective*, co-published by IDRC and Edward Elgar, as one of its Outstanding Academic Titles from among 7,000 publications reviewed. The culmination of work by more than 50 economists and demographers, the book was cited as "most outstanding in presenting a global, in-depth analysis" of the implications of population aging for 23 developed and developing countries.

Our funding

During the past year, we recognized $157.5 million in Parliamentary appropriation revenues. This represented about 78% of our 2012-2013 revenues and about 3% of Canada's international assistance. IDRC also fosters innovation by leveraging funding and efforts beyond government. As of March 31, 2013, we were involved in 22 donor contribution agreements with 10 donor partners, worth $302.8 million at signature.

Canadian organizations play a large role in donor contribution agreements, accounting for 35% of the portfolio. Working with Canadian partners is one of the ways in which IDRC contributes to government priorities. It also helps us use our Parliamentary allocation strategically and creates avenues for IDRC to present its perspectives, approaches, and experience to government. This diversification of sources of funding also helps to maintain the integrity of our programs.

Key financial highlights For the year ended 31 March 2013 (in thousands of dollars)	2012-2013		2011-2012
	Actual	Revised budget	Actual [a]
Revenues			
Parliamentary appropriation	157 455	159 537	239 441
Donor contributions			
Funding for development research programs	38 592	39 837	42 095
Recovery of administrative costs	3 712	3 939	4 242
Investment and other income	1 743	1 550	2 023
	201 502	204 863	287 801
Expenses			
Development research programming			
Research projects	226 247	206 895	165 776
Capacity building	44 790	45 998	47 983
	271 037	252 893	213 759
Corporate and administrative services	22 147	23 096	23 049
	293 184	275 989	236 808
Results of operations before restructuring costs	(91 682)	(71 126)	50 993
Restructuring costs	—	—	5 186
Net results of operations	(91 682)	(71 126)	45 087
Equity			
Unrestricted	—	—	10 996
Internally restricted	1 171	14 866	74 996
Net investments in capital assets	10 275	10 275	11 365
Reserved	706	7 567	6 477
Expenditure benchmarks	77/15/8	75/16/9	70/20/10
Program allocations			
Funded by Parliamentary appropriation	121 667[b]	118 800[b]	120 890[b]
Funded by donor contributions	40 335	13 616	21 366
	162 002	132 416	142 256

Notes:

a Certain accounts were reclassified to comply with the financial presentation of this year.

b Program allocations (grants) include total allocations for program areas and corporate programming activities as well as the allocations for the special programs.
- The Parliamentary appropriation represents 78.1% of total revenues.
- The expenses for development research programming represent 92.4% of total expenses.

For further information on these key financial highlights, please refer to Management's Discussion and Analysis on page 23.

SUPPORTING CANADIAN PRIORITIES

Securing the future of children and youth

As the world's population ages, there are striking regional contrasts: 41% of people in the least developed countries are under the age of 15, compared to only 16% in the most developed nations.

Meeting the needs of this new generation is a Canadian aid priority, focusing on basic child survival, access to education, and ensuring children a safe and secure future. As the projects described below show, IDRC contributes to this effort in a number of key areas: by investing in research that strengthens healthcare systems, improves family nutrition, and promotes educational reforms to ensure a solid foundation for young people.

For example, current research on health systems in Nigeria is helping to address some of the world's highest maternal and child mortality rates. In India, where girls and women are typically the last to receive medical attention, we are supporting efforts to widen healthcare access. In Lebanon, families are rediscovering healthy traditional foods through a joint Canadian-Lebanese research initiative. And in Guatemala, a national think tank has helped shape educational reforms that give children a better start.

In Nigeria: Saving the lives of mothers and children

In 2010, 14% of the world's total maternal deaths were in Nigeria. A research funding partnership between IDRC, the Canadian International Development Agency, and the Government of Nigeria is strengthening health information systems and improving care for mothers and infants. Results from the Nigeria Evidence-based Health System Initiative (NEHSI) suggest that evidence can save lives by informing policy, spurring changes in behaviour at the household level, and highlighting the importance of getting care to mothers in their homes.

NEHSI goes beyond hospitals and clinics to communities and households to pinpoint the root causes of illness and death, and possible solutions. In the Nigerian city of Giade, for example, where fewer than 15% of births are assisted by a skilled attendant, a community surveillance system was set up. Over a series of household visits, health workers discuss maternal and child health needs, using smartphones to relay information. Pregnant mothers and newborns at risk are followed up immediately, and the data is collated for planning and policy purposes.

Results from this pilot study so far are promising: in 8,000 households, maternal deaths were 3.8 % among women who received one visit, 0.8% among those who received two, with no deaths recorded after three visits. This merits further research.

In India: Increasing access to health care

Indians pay most medical costs out of pocket. For many, this puts health care out of reach.

Health is a state responsibility in India. To help states expand access, the Public Health Foundation of India was appointed as the secretariat of the country's High Level Expert Group on Universal Health Coverage. With support from IDRC, it is guiding a number of states in setting benchmarks toward the goal of universal access. Research into fiscal needs and essential health packages is informing the rollout of this ambitious reform.

In the state of Karnataka, girls and women face many barriers due to their low social status. Researchers with the Indian Institute of Management in Bangalore are exploring how gender and power dynamics affect women's health outcomes. The team is reviewing data on maternal deaths to identify the prevalence and role of violence. In 15 villages with high rates of undernourishment, teen pregnancy, anemia, and domestic abuse, efforts focus on identifying risk factors early in pregnancy.

In Lebanon: Improving nutrition through traditional foods

In Lebanon, diseases linked to obesity are on the rise, especially among the rural poor, partly due to the growing popularity of processed food. Canadian and Lebanese research that focused on locally available foods is helping rural families rediscover traditional diets that are healthier.

The American University of Beirut and the University of Ottawa studied how local foods could improve children's nutrition and health. In the village of Aarsal, for example, researchers worked with two schools to tackle poor eating habits and related health issues. Kitchens run by a women's cooperative provided a traditional mid-morning snack to 135 children. Researchers found that the program improved children's breakfast habits and their appreciation of local foods they previously shunned. Using their findings, researchers are publishing peer-reviewed dietary guidelines based on traditional foods — a first for Lebanon.

In Guatemala: Promoting education reform

Seventy percent of Guatemalans are under the age of 30. Yet the country's education budget is one of the lowest in Latin America, and girls and indigenous groups lag behind in schooling. Thanks in part to research and advocacy by a national think tank, the country's latest education plan includes important reforms.

Since 1999, the Asociación de Investigación y Estudios Sociales (ASIES) has coordinated a national campaign to improve Guatemala's education system. ASIES is funded by the Think Tank Initiative, a multi-funder program managed by IDRC to strengthen the role of developing-country knowledge-based institutions in policy debates.

Presidential elections in 2011 offered an ideal opening to promote change. The ASIES-led campaign targeted influential groups such as political parties, government ministries, universities, and the media. Among other improvements, it called for more teacher training and decentralized school budgets. These changes can be seen in the latest Ministry of Education work plan, released after the election. The campaign is now promoting educational reforms at the municipal level.

Investing in food security and nutrition

High food prices, natural disaster, poor soils, weak investment in agriculture: any one of these can deepen hunger. Food scarcity is particularly acute in developing countries, which account for 98% of the world's undernourished people.

IDRC supports Canada's goal of increasing food security through cutting-edge research on agriculture and the environment. One example is the Canadian International Food Security Research Fund (CIFSRF), a multi-year, $125 million partnership with CIDA that twins Canadian and developing-country expertise. In Ethiopia for example, research on pulse crops is improving both nutrition and soil fertility. In India and Sri Lanka, a new use of nanotechnology is helping reduce spoilage of mangoes.

As part of Canada's commitment to fast-start financing for climate change action in developing countries, IDRC also manages the African Adaptation Research Centres initiative. Seven centres are now researching water and crop management options to help farmers manage climate risks. And this year, we expanded our focus on climate change hot spots with the launch of the Collaborative Adaptation Research Initiative in Africa and Asia, co-funded with the UK Department for International Development.

Here are just a few examples of how these initiatives are strengthening food systems and improving food security.

In Ethiopia: Better nutrition, better soils

Ethiopia has one of the world's highest rates of malnutrition. In field trials supported through CIFSRF, researchers from the University of Saskatchewan and Ethiopia's Hawassa University have discovered new ways for farmers to nourish soils while enriching their diets.

Pulse crops such as beans, chickpeas, and lentils can be an important source of protein and income. Researchers identified local strains of bacteria called rhizobia, which convert atmospheric nitrogen found in soil so that it can be used by plants. When used to coat seeds of improved pulse varieties, these bacteria can increase crop yields up to 60% while boosting the soil's fertility.

The success of these trials is encouraging local farmers to plant high-protein pulses alongside their staples, such as teff and cassava, which tend to deplete soils. Boosting yields will support the government's goals of expanding pulse crop exports and reducing widespread malnutrition.

In India and Sri Lanka: Cutting losses for fruit growers

Another CIFSRF effort launched this year is uniting Canadian, Indian, and Sri Lankan experts in nanotechnology to prolong the shelf life of mangoes. Using a synthetic form of hexanal, a plant-derived agent, they are developing a simple, low-cost way to preserve fruit quality.

Each year, 35 to 40% of the region's tender mango crop is lost in transport and storage — a huge loss for smallholder farmers who produce most of the crop.

Canadian scientists at the University of Guelph developed the synthetic hexanal, which targets an enzyme that causes decay. To coat the fruit, a team from Tamil Nadu is testing a plant fibre-based formula, while Sri Lankan scientists are testing natural wax.

Researchers expect to have the coatings ready for testing in 2014. If successful, they may one day extend the life of many other tender crops — including Canadian berries.

In southern Africa: Promoting climate-smart agriculture

Addressing climate change is a must in Africa, where farmers depend heavily on rainfed agriculture. The Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) is providing evidence to help countries adopt climate-smart policies. The network, funded by IDRC, is one of seven African Adaptation Research Centres funded by the Government of Canada.

In research on the likely impacts of climate change on crops in southern Africa, models show yields will decline over this century — for example, an average of 18% for maize if farming methods do not change. In September 2012, the research team presented recommendations on fertilizer use and crop choices, based on research in Lesotho, Malawi, and Swaziland, to inform the Comprehensive African Agriculture Development Program. Other funders have committed to expand research in more countries. In the lead-up to talks taking place in Lesotho in September 2013, FANRPAN is working with national stakeholders to insert climate-smart agriculture into national adaptation plans.

In Africa and Asia: Building resilience in vulnerable environments

Semi-arid regions, deltas, and river basins fed by mountain glaciers and snow are especially vulnerable to climate change. A new research program launched this year focuses on protecting lives, livelihoods, and food production in these three "hot spots."

In 2012, IDRC and DFID joined forces to launch the Collaborative Adaptation Research Initiative in Africa and Asia. This new seven-year program builds on lessons from the IDRC-DFID Climate Change Adaptation in Africa program.

In Guatemala: Bolstering food security

In December 2012, at a roundtable on food security and nutrition hosted by Governor General David Johnston at Rafael Landívar University, Canada's Minister of State of Foreign Affairs (Americas and Consular Affairs), the Honourable Diane Albonczy, announced new IDRC-supported research to reduce malnutrition in Guatemala. Canada's McGill University, Guatemala's Institute of Agriculture, Natural Resources and Environment, and the Inter-American Institute for Cooperation on Agriculture will work together to increase food security by strengthening agricultural policies and practices.

Stimulating sustainable economic growth

Developing countries have enjoyed unprecedented rates of growth in recent years. But growth alone does not automatically translate into rising incomes or employment, and its benefits may be unevenly distributed. Women and youth tend to gain the least. They are more often employed in the informal sector, where jobs are lowly paid, with few benefits and no security.

IDRC supports research that promotes inclusive growth — enhancing opportunities for all, especially the poor. We help build evidence on strategies that create decent jobs and spur entrepreneurship, with a focus on small- and medium-sized businesses. Research has shown these can be gateways for the poor and for women, who make up the majority of workers in small firms.

As the examples that follow illustrate, we support research that helps government and business fine-tune employment, trade, investment, and enterprise development strategies. In Paraguay, a leading think tank is building an evidence base to strengthen the country's trade strategy. Across Africa, we've worked with Trust Africa to support research on business and investment that has resulted in a number of practical innovations. In Asia, case studies are shedding light on the factors that lead to small business success. And over the past year, we've turned our attention to the pressing lack of job opportunities for youth in Africa.

Across the spectrum, the research we support aims to foster growth, not just for its own sake, but as a means to reduce poverty and inequality.

In Paraguay: Boosting prosperity through trade

Trade is crucial for Paraguay — landlocked, impoverished, and still finding its economic footing after decades of authoritarian rule. Government, business, and civil society need evidence to guide trade and investment decisions. In 2011, the Centro de Análisis y Difusión de la Economía Paraguaya launched the Observatory of International Economics. The Observatory, which has since emerged as the go-to source on Paraguay and the world economy, is supported by the Think Tank Initiative, which is co-funded by IDRC, the UK Department for International Development, the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, and the Ministry of Foreign Affairs of the Netherlands.

Through workshops, seminars, online publications, and widespread news coverage, the Observatory has brought trade debates into the mainstream. Among its impacts — its analysis led Paraguay's Central Bank to review statistics on the country's trade account, and is now serving Paraguay in trade negotiations.

In Africa: Supporting pro-poor business development

Despite its challenges, Africa has tremendous potential, and some of the world's fastest-growing economies. Yet, the benefits of growth remain deeply unequal. In partnership with Trust Africa, IDRC is supporting research to help African countries pursue more socially inclusive business and investment strategies. Through the Investment Climate and Business Environment Research Fund, more than 60 projects across Africa have led to practical innovations that boost pro-poor business development.

For example:

- In Cameroon, a microfinance institution doubled its loans to women after research helped it fine-tune its support to female customers.
- In Senegal, the national agency in charge of promoting investments implemented an electronic business registration system.
- In South Africa, government is cutting red tape for small- and medium-size enterprises that empower groups which were disadvantaged under apartheid.

In Asia: Unlocking small business success

Small businesses can drive more equitable growth. But why do some grow rapidly while others stagnate? To help countries across Asia learn from models of success, the Asian Institute of Management launched a research competition with support from IDRC. Its aim: to inform policies that will help micro- to medium-size businesses grow.

This year, a call for proposals reached more than 60,000 researchers in the region. It asked them to mine recent firm-level data for lessons that can support business. Ten proposals were selected, focusing on barriers to growth and factors that spur innovation. Examples include the role of immigration in Thailand, knowledge spillovers in Philippine business clusters, and women's access to credit in South Asia. Research findings will be published in a special issue of an Asian business journal.

In Africa: Spurring youth employment

Youth unemployment threatens to undermine gains Africa has made in reducing poverty over the last 30 years. New research launched this year will inform current debates on how to stimulate opportunities for young Africans.

In West Africa, a lack of jobs and industry in rural areas drives migration. In Burkina Faso and Senegal, two think tanks — Initiative Prospective Agricole et Rurale and Centre d'Études, de Documentation et de Recherches Économiques et Sociales — are looking at factors that shape labour markets for the young. For example, they are exploring land tenure arrangements that may keep youth on the land, and income-generating activities that young migrants seek out in cities.

In East Africa, impressive growth has done little to reduce poverty and youth unemployment. In Kenya, Tanzania, Uganda, and Rwanda, young people mainly work in poorly paid and insecure jobs. To shed light on new ways to create opportunities, the Institute for Policy Analysis is using household data and is conducting interviews with youth groups, policymakers, and donors.

Building more secure and democratic societies

Worldwide, some 1.5 billion people live amid violent conflict or large-scale organized crime. This insecurity deepens human suffering, and undermines progress in all areas of development. The threat of violence and failure of the state to provide justice and security also limits citizens' representation in society. Past efforts to reduce violence and build secure and just societies have had uneven success in creating legitimate and accountable states.

IDRC addresses insecurity as both a cause and a result of weak governance. Postwar societies struggle to establish good governance. And where governments are corrupt or unstable, criminal organizations flourish — in some regions, controlling entire communities. IDRC's response is to strengthen institutions and build networks that link researchers, governments, and civil society in seeking ways to reinforce stability and security, and to advance democracy.

As the examples that follow show, we focus on the most vulnerable and excluded. In South Asia, for example, new research focuses on legal reforms to reduce sexual violence and ensure perpetrators face justice. And as rapid urbanization threatens poor city neighbourhoods, we have joined DFID in launching a new program of research to support safe and inclusive cities.

In Tunisia and other Arab countries undergoing rapid transformation, we are supporting research efforts to address political participation by women, and to reinforce their rights. This builds on work to understand the political and economic factors influencing transitions in the Arab World, with a view to helping policy actors who are trying to steer the process toward stable democracy and more equitable economic growth.

Our support for research to strengthen democracy also focuses on how states and societies build legitimate and accountable public authorities. In Latin America and the Caribbean, for example, we have long supported research on the use of information technology to create more open and accountable governments.

In South Asia: Improving women's safety

War crime trials in Rwanda and the former Yugoslavia built a legal foundation against the use of rape as an instrument of war, and even genocide. But in South Asian countries where sexual violence has been linked to conflict, the issue has been ignored. IDRC is backing scholars and advocates for justice in Bangladesh, India, Nepal, Pakistan, and Sri Lanka who are exploring why mass assaults on women go unpunished.

India, for example, is witnessing a disturbing increase in crimes against women despite criminal laws against sexual and domestic violence. Led by the Indian organization Zubaan, this regional network of experts will document cases, publish widely, and push for legal reforms.

The network will draw on international case law and link with other IDRC-supported projects that track impunity for domestic and sexual violence in India. One such project is working with the State of Maharashtra to document the progress of some 150 cases. They will then develop and share protocols with police, courts, and legal scholars to address key barriers preventing access to justice for victims of sexual violence. The research will also guide the state in setting up a support program for victims.

In cities: Reducing violence and increasing security

The speed and scale of global urbanization are staggering. More than half of the world's population now lives in cities that will continue to swell. And although globalization connects cities and people with the possibility of better access to jobs, goods, and services, many of the world's fastest growing cities are experiencing a sharp escalation in violence.

The Safe and Inclusive Cities program launched this year by IDRC and DFID is investing more than $10 million over five years to document the links between urban violence, poverty, and inequality. It will also identify what works — and what doesn't — to reduce violence in urban centres.

The program supports 15 action research teams in 40 cities across 16 countries in sub-Saharan Africa, South Asia, and Latin America and the Caribbean. Together, they will address key gaps in knowledge and test the effectiveness of violence reduction initiatives. Ultimately, the evidence they produce will guide planners, policymakers, and residents' groups as they seek to enhance security, promote prosperity, and address inequalities in their cities.

In Latin America and the Caribbean: Encouraging government accountability

Research aimed at reducing the gap between citizens and their governments is producing award-winning results.

Government purchasing plays a large role in the economies of Latin America and the Caribbean and has a major impact on business, especially micro, small, and medium-size enterprises. In 2002, IDRC and the Organization of American States (OAS) helped regional governments establish the Inter-American Network for Government Procurement. Six years later, with the Inter-American Development Bank, we supported the Network in harmonizing standards for open bidding on government contracts. This year, the project received the "Innovation in Government Procurement" award from Brazil's Department of Logistics and General Services.

The region is also embracing the concept of "open data"— making public data more available to citizens and innovators through online technologies. More than 50 countries worldwide have signed onto the Open Government Partnership initiative. As Caribbean countries prepare to join this movement, IDRC supports the Caribbean Open Data conference, an annual event that is building momentum, and increasing public sector transparency.

In addition, a regional network of experts on electronic government, created by IDRC and the OAS, has defined new standards on e-government, resulting in the training of thousands of Caribbean public servants in effective e-government practices. It has also promoted innovative solutions for effective, responsive, and transparent service delivery.

In Tunisia: Increasing women's political participation

While women played an active role in the Arab Spring, this participation may be short-lived if traditional forms of discrimination are not challenged. Since early 2011, the Center of Arab Women for Training and Research has studied how young women are engaging in Tunisia's political transformation. Their goal? To identify what motivates women to participate, and how they engage.

Before the revolution, women played a very limited role in political processes. They lacked opportunities to gain experience, and political activism also carried risks that many were not willing to take. As the revolution got underway, social media and other Internet tools became important means of resistance, freeing women from the barriers they faced in formal political structures.

Early research findings suggest that women still lack access to decision-making positions. As a result, many are drawn to "cyber activism" as a means to express their political opinions. As research concludes in 2013, recommendations will help governments and civil society sustain young women's political participation with a view to increasing formal opportunities. Together with similar studies underway in Sudan, Egypt, and Ethiopia, these recommendations will support women's rights in the region.

Promoting science and innovation

Advances in science have improved living conditions worldwide. Science-based innovation has brought strides in health care, for example, while increasing crop yields, and reversing environmental degradation. It has brought education to remote areas, enhanced public safety, and helped economies improve their competitiveness and productivity, leading to higher living standards and greater well-being.

While science and technology (S&T) capabilities are crucial for social and economic progress, many developing countries have limited human, institutional, and other resources to devote to innovation. Their pressing short-term needs tend to override long-term investment in S&T.

IDRC was created to address this gap and is still the leader in Canada and around the world on research for international development. Through funding, training, and networking support, we link the brightest minds in Canada and around the world to apply science and technology to advance development.

The examples below show that while the search for innovation ripples across our program spectrum, we also focus on science and innovation as a field of research, often with other Canadian or international funders. For instance, we partnered with the International Fund for Agricultural Development (IFAD) to identify ways of scaling up rural innovations. The launch this year of a new North-South network focusing on cyberspace governance and security illustrates our interest in information networks and their development impacts. Research in China, co-funded with the Canada Research Chairs Program, is validating treatments for a range of infectious diseases, including HIV/AIDS.

In addition, through the African Institute for Mathematical Sciences network, we are equipping a new generation with the advanced mathematical knowledge that is a foundation for innovation.

In the Andes: Changing lives through rural innovation

Small-scale, locally appropriate innovations can have a tremendous impact. The question is, how can they reach more people? To learn from small, affordable ideas that benefit the rural poor, IDRC partnered with IFAD to support the Scaling-up Rural Innovations Program. The program has produced a wealth of insights for donors, governments, and others looking to see development success shared more widely.

Researchers looked at farm production, natural resource management, and off-farm income generation. In Peru and Bolivia, for example, some rural communities are protecting and promoting traditional foods and handicrafts with a territorial "branding." In Bolivia, a financial service organization is linking rural producers with private investors and food companies to provide access to high-value markets.

In a series of books and briefs, the research team shares lessons. For example: fragmented local markets, inappropriate rules for protecting rural inventions, and limited access to advice are barriers that keep new solutions from catching on.

In cyberspace: Defending openness and human rights

With the rapid growth of digital information networks, citizens around the world now conduct much of their business, social life, and public affairs in cyberspace. But there are growing concerns about threats to cyberspace, such as a rise in cyber-crime, and the growing occurrence of Internet censorship and surveillance by states. According to Ron Diebert of the University of Toronto, nearly one billion people — half of all Internet users — live in countries that censor the net. This year, IDRC backed the university's Munk School of Global Affairs in launching a new program to protect human rights online: the Cyber Stewards program.

This global network of scholars, advocates, and practitioners work on local priorities and share knowledge and expertise with counterparts around the world. Stewards aim to map, analyze, and ultimately influence cyber security policies in their own regions so that cyberspace remains a secure but open commons in which human rights are respected.

In China: Testing an effective treatment against HIV

This year, a Chinese-led research team published breakthrough findings on the use of antiretroviral therapies (ART) to prevent the transmission of HIV, the virus that causes AIDS. Earlier studies had led the World Health Organization to recommend ART to prevent HIV transmission between couples. But, until now, no large-scale population-based studies had confirmed its effectiveness.

Research was led by IDRC Research Chair Yiming Shao of the Chinese Center for Disease Control and Prevention. The team examined nine years of data from China's national databases on HIV infection and treatment, covering more than 38,000 couples in which one partner was HIV positive. Findings showed that among those who had received ART, virus transmission was 26% lower than among those couples who had not.

In Ghana: Helping youth fulfil their potential

This year, Africa has welcomed its newest centre of mathematical excellence. AIMS-Ghana was officially launched this year as part of the African Institute for Mathematical Sciences Next Einstein Initiative (AIMS NEI). It joins centres already established in South Africa and Senegal. The AIMS-Ghana program offers a one-year intensive master's degree course for African graduates. With advanced mathematical modelling playing an increasing role in many science fields and in business, students will gain essential skills and knowledge to address pressing development challenges.

IDRC implements Canada's $20 million contribution to expand the AIMS network and its program of rigorous mathematics training for postgraduate students. IDRC also manages the UK Department for International Development's $29 million contribution to AIMS NEI. The ultimate goal: a pan-African network of 15 AIMS centres by 2021. ■

Engaging Canadians in development research

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, the International Institute for Sustainable Development, and McGill University. Among the 705 active recipient institutions at year end, 103 were Canadian, of which 55% were non-governmental organizations and 36% were universities and colleges.

Through its Canadian Partnerships program, IDRC promotes and sustains linkages with Canadian institutions, particularly universities and civil society organizations. It does this by providing grants for applied research, knowledge-building, and knowledge-sharing projects, and by funding projects that explore and facilitate connections between Canada and developing countries in IDRC's areas of interest. In 2012-2013, we made 58 such grants.

Launching careers in the field

IDRC funds and administers Corporate Awards and International Fellowships programs for emerging and mid-career researchers in Canada and in developing countries. These 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.

Fellowships and Awards 2012-2013

Bentley Cropping Systems Fellowship	1
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	46
IDRC International Fellowships Program — Doctoral Research Awards	55
IDRC International Fellowships Program — Master's Scholarships	53
IDRC International Fellowships Program — PhD Scholarships	12
IDRC International Fellowships Program — Internships	4
IDRC Research Awards	18
IDRC Science Journalism Awards	6
Professional Development Awards	3
TOTAL	**206**

Development Innovation Fund
The quest for breakthroughs in health

A high-tech wristband monitor to save lives of mothers and babies in Kenya, waterless toilets that produce revenue-generating compost in Haiti, floating farms to improve nutrition in Nicaragua — these are just 3 of 51 innovations being pursued in 18 countries thanks to grants from Grand Challenges Canada (GCC). Announced in November 2012, these awards were made under GCC's Stars in Global Health program which seeks unique and affordable ideas that can help address disease in developing countries.

The Government of Canada funds GCC through the Development Innovation Fund (DIF) established in 2008 to "… support the best minds in the world as they search for breakthroughs in global health and other areas that have the potential to bring about enduring changes in the lives of millions of people in poor countries."

A three-party consortium manages the $225 million fund, led by IDRC and including the Canadian Institutes of Health Research and GCC, which was created in 2008 to implement and manage research projects supported by the DIF.

As of March 2013, Grand Challenges Canada had awarded 283 peer-reviewed grants, representing a commitment of $93 million. For more information on the DIF, see page 26 of Management's Discussion and Analysis. ■

"The Centre has a long history of providing early support to promising researchers who go on to make substantial contributions to the scientific, policy, and practice communities."

— IDRC Strategic Framework 2010-2015

IDRC grantees recognized for excellence

Citizen Lab Director **Ron Deibert** was named to the Order of Ontario for his role as a leading expert on digital technology, security, and human rights. He was among the first experts to recognize and take measures to mitigate growing threats to communications rights, openness, and security worldwide. The Citizen Lab, an IDRC grantee based at the University of Toronto, monitors and analyzes the exercise of political power in cyberspace.

Peru's **Direccion General de Salud Ambiental** was awarded the Universidad Peruana de Ciencias Aplicadas' grand prize for entrepreneurial innovation and first prize in the category of health and hygiene for its success in preventing and controlling malaria.

IDRC journalism awardee **Marc Ellison** won a Canadian Association of Journalists award for his reporting on female Ugandan child soldiers. He is also a winner of the World Bank's 2013 "Picture Inequality" photo competition.

Judith Erazo was appointed leader of the Guatemalan government's Department of Attention to Victims. The department coordinates offices throughout the country that offer legal, medical, and psychological services to women victims of violence.

Oluwasola Fasan, a graduate of the African Institute for Mathematical Sciences and PhD candidate at the University of Pretoria, was selected as a 2012-2013 L'Oreal-UNESCO Women in Science regional fellow. She also received the 2012 Google Anita Borg Scholarship.

Daniel Hillel, who pioneered micro-irrigation to water crops in arid regions, was awarded the 2012 World Food Prize. Micro-irrigation dramatically reduces the amount of water needed and leads to larger crop yields.

Venkatesh Mannar, president of the Micronutrient Initiative (MI), was named an Officer of the Order of Canada. Mannar was honoured for his almost 40 years of leadership in the global fight against malnutrition and micronutrient deficiency. A non-profit agency, MI was established at IDRC in 1992 to ensure the world's most vulnerable people get the vitamins and minerals they need to survive — and thrive.

Social economist and Concordia University professor **Marguerite Mendell** was awarded the inaugural Prix Pierre-Dansereau from the Association francophone pour le savoir. The prize recognizes her commitment to improving society.

Ronald U. Mendoza was named one of the Philippines' 2012 Outstanding Young Scientists by the Philippine National Academy of Science and Technology. A senior economist, Mendoza is Associate Professor of Economics at the Asian Institute of Management (AIM) and Executive Director of its AIM Policy Center.

Promethean Power Systems and their Indian partner **Icelings** were awarded the first Indo-US Science and Technology Endowment Board grant for their solar-powered refrigeration system. Their work was incubated at Villgro Innovations Foundation, an IDRC grantee based in Chennai, India.

IDRC journalism awardee **Tanya Springer** received the 2012 Norman Bethune Award for Excellence in International Health Reporting by the Canadian Medical Association. Springer's documentary "Of Mothers and Merchants," which first aired on CBC Radio's *The Current*, touches on the issue of commercial surrogacy in India.

IDRC journalism awardee **Gayathri Vaidyanathan** won the annual Evert Clark/Seth Payne Award for Young Journalists. The Clark/Payne Award encourages young science writers by recognizing outstanding reporting in all fields of science. ■

Corporate governance

The Board of Governors

IDRC's work is guided by a Board of Governors composed of up to 14 governors.

The *IDRC Act* provides that a majority of Board members, including the Chairperson and Vice-Chairperson, must be Canadian. The balance of members may be appointed from other countries. This diverse 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 Centre'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 (Board and Committee Chairperson until December 2, 2012); L. Denis Desautels (Committee Chairperson from December 3, 2012); Ahmed Galal; Frieda Granot (term ended April 10, 2012); Jean Lebel (from March 1, 2013); David Malone (until February 28, 2013); Faith Mitchell; the Honourable Monte Solberg (from March 25, 2013)

Finance and Audit Committee

Members: L. Denis Desautels (Committee Chairperson); Ahmed Galal; Frieda Granot (term ended April 10, 2012); Elizabeth Parr-Johnston; Gordon Shirley

Governance Committee

Members: The Honourable Barbara McDougall (Board and Committee Chairperson until December 2, 2012); L. Denis Desautels (Committee Chairperson from December 3, 2012); Faith Mitchell (from March 25, 2013); the Honourable Monte Solberg (from March 25, 2013)

Human Resources Committee

Members: Margaret Biggs (from March 25, 2013); Faith Mitchell (Committee Chairperson); David Malone (until February 28, 2013); Xue Lan

Committee members are appointed 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. An executive search consultant assisted the Committee in its work. The Committee was composed of five members appointed from the IDRC Board and three representatives from government.

IDRC members: The Honourable Barbara McDougall (Committee Chairperson); L. 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 chairpersons: $4,600 – $5,400
- Annual retainer for the chairperson: $9,200 – $10,800

The IDRC Board of Governors, 2012-2013

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 2 out of 3 meetings**
(term ended December 2, 2012)

L. DENIS DESAUTELS
Vice-Chairperson, Ottawa, Canada
Director of several publicly traded corporations and board member of several not-for-profit organizations, including the University of Ottawa; former Chairman, Board of Directors, Laurentian Bank of Canada; and former Auditor General of Canada
Attended 3 out of 3 meetings
(Acting Chairperson from December 3, 2012)

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 2 out of 3 meetings
(left IDRC on February 28, 2013)

JEAN LEBEL
President, IDRC, Ottawa, Canada
Former IDRC Vice-President, Programs and Partnerships, Director, Agriculture and Environment program, and team leader of the Ecosystems and Human Health program; associate editor of the *Ecohealth* journal
Attended 1 out of 3 meetings
(appointed to serve as President by Board resolution from March 1, 2013 and appointed by Order in Council on May 1, 2013 to serve as President until such time as a new President is appointed)

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

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
(term ended April 10, 2012)

FAITH MITCHELL
Washington DC, United States
President and CEO, Grantmakers in Health
Attended 3 out of 3 meetings

ELIZABETH PARR-JOHNSTON
Chester Basin, Canada
President, Parr Johnston Economic Policy
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
Principal at New West Public Affairs Inc.
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, 2012 to March 31, 2013*

Senior Management Committee, 2012-2013

(as at March 31, 2013)

FEDERICO BURONE
Regional Director, Latin America and the Caribbean

SIMON CARTER
Regional Director, Sub-Saharan Africa

ANINDYA CHATTERJEE
Regional Director, Asia

MICHAEL CLARKE
Director, Global Health Policy

BRUCE CURRIE-ALDER
Regional Director, Middle East and North Africa

NIKKI DIGNARD
Director, Finance and Administration

SYLVAIN DUFOUR
Vice-President, Resources and Chief Financial Officer

COLLEEN DUGGAN
Acting Director, Corporate Strategy and Evaluation Division

NASER FARUQUI
Director, Science and Innovation

TRENT HOOLE
Secretary and General Counsel

JEAN LEBEL
President and Vice-President, Programs and Partnerships (appointed to serve as President from March 1, 2013 until such time as a new President is appointed)

STEPHEN MCGURK
Director, Agriculture and Environment

ANNETTE NICHOLSON
Vice-President, Corporate Strategy and Regional Management

LINE NOREAU
Director, Human Resources

ANGELA PROKOPIAK
Director, Communications and Parliamentary Affairs

SUE SZABO
Director, Social and Economic Policy

"IDRC's business model is rooted in its commitment to excellence in all spheres of its activities, including programming, staffing, outreach, management, and governance. At the same time, IDRC is committed to professional risk management and the highest standards of accountability, stewardship, and probity in using the public and private funds entrusted to it."

— *IDRC Strategic Framework 2010-2015*

MANAGING AND MEASURING OUR PERFORMANCE

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STEWARDSHIP AND ACCOUNTABILITY

Accountability

IDRC is accountable to Parliament and to Canadians for our use of public resources. Our Board of Governors plays a key role by guiding the Centre in fulfilling its mandate and ensuring that the funds entrusted to IDRC are managed responsibly. IDRC's decentralized evaluation system fosters both accountability and transparency throughout the Centre, at the project, program, and corporate levels: all evaluations of IDRC's programming are publicly available through our Digital Library. We also provide open access to information on all research projects we fund, and to research outputs. All books resulting from the research are available free of charge, full-text on our website and on other platforms.

Here are some of the formal 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 publishes quarterly financial statements on its website.
- 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 2012-2013. None were received under the *Privacy Act*.
- IDRC is also subject to the *Canadian Environmental Assessment Act, 2012*. Pursuant to IDRC's obligations under that Act, in 2012-13 IDRC did not carry out or provide financial assistance to projects that it determined would be likely to cause significant adverse environmental effects.
- IDRC publishes travel and hospitality expenses for its senior executives on its website.
- IDRC held its annual public meeting in November. Some 50 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 her 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.

For more information on risk, see Management's Discussion and Analysis, p. 24.

Program support

Partnerships

IDRC works with a wide variety of organizations — government agencies, granting councils, the private sector, philanthropic foundations, and others. Partnerships are essential to IDRC's business model: we collaborate to learn from one another's experiences, extend the reach of the ideas we support, and bring innovations to scale. Partnerships build on the Centre's key strengths and pool technical, scientific, and financial resources to further a shared commitment to research in developing countries.

Canadian organizations play an important role in partnership arrangements, accounting for 35% 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, 2013, IDRC was involved with 10 partners in 22 donor agreements worth $302.8 million at signature. During 2012-2013, IDRC signed six new multi-year partnership agreements with a total value of $92.5 million. The largest was the Collaborative Adaptation Research Initiative in Africa and Asia (CARIAA) to which the UK Department for International Development is contributing $55.4 million. (See also Management's Discussion and Analysis, page 26.)

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 learning, accountability, program improvement, and as input into decision-making. IDRC also works to strengthen evaluation practice within the Centre and internationally.

IDRC completed 18 evaluations during the year. Of these, three were of significant donor partnership initiatives, which we evaluated together with our funding partners:

- the Climate Change Adaptation in Africa program (with the UK's Department for International Development)
- the Development Innovation Fund (with the Canadian Institutes of Health Research and Grand Challenges Canada)
- the Canadian International Food Security Research Fund (with the Canadian International Development Agency).

All IDRC programs are externally evaluated on a regular five-year cycle. Evaluations of IDRC programming are publicly available through the Centre's Digital Library.

The Centre's Corporate Strategy and Evaluation Division managed two strategic (cross-program) evaluations. In the first, evaluating data visualization as a tool to communicate research in IDRC-funded projects showed that grantees' use of data visualization remains at a novice level, with some notable exceptions. The evaluation produced a how-to guide on delivering clear and compelling visualizations that convey complex research evidence to a variety of audiences.

IDRC also launched a multi-phase strategic evaluation on research excellence. The findings of the first phase of the evaluation underscore that for IDRC's applied research, evaluating excellence must consider research effectiveness (i.e., use, influence, and impact) in addition to traditional research quality (i.e., scientific merit and integrity).

Human resources

IDRC's success depends on its employees. The Centre has a highly qualified, international, multilingual workforce. Many possess specialized technical skills and extensive knowledge of particular geographic areas. This allows them to engage effectively with researchers in framing research problems, improving research designs, and selecting and implementing research methods. Overall, the diversity of IDRC's workforce makes the organization better able to understand development challenges and identify opportunities for innovation and impact.

In 2012-2013, IDRC responded to the significant reduction in its Parliamentary appropriation and its impact on employees. While implementing expense reductions, the organization remained focused on the three broad directions of its Human Resources Plan 2010-2013:

Find and grow talent globally

At March 31, 2013, there were 406 persons on staff (compared to 466 at the same time the previous year): 28% of the workforce was located in our regional offices (a combination of Ottawa-hired and locally engaged employees); the rest (72%) were at the head office in Ottawa. Recruitment for specialized positions continued while transition support was provided to employees affected by the reductions.

Provide a stimulating workplace

Employees' strong sense of engagement with IDRC was demonstrated throughout this transition year. Employees have delivered on organizational commitments and have been supportive of their affected colleagues while personally managing changes in their work environment and their workloads. Communication during this period has been key in achieving these results.

Enhance the Centre's capacity to manage human resources

In 2012-2013, the Centre prepared to introduce new self-service tools for managers and employees. These tools will provide timely, easily-accessible human resources information for better decision-making. In addition, formal training, workshops, coaching, and 360-degree feedback exercises helped managers and employees develop skills to better address HR challenges. Finally, modernization of HR policies continued in consultation with representatives of the IDRC Staff Association.

Following internal consultations over the period, an Addendum 2013-2015 to the Human Resources Plan was developed. It will guide the implementation of key HR initiatives over the next two years.

Communications

IDRC's Communications Strategy 2010-2015 sets three objectives: building awareness of the Centre, promoting the uptake of IDRC-funded research results, and improving the ability of staff and grantees to communicate those results. In 2012-2013, we focused on the first: increase awareness and build support for the Centre in Canada and internationally.

To reach out to Canadians, in 2012-2013, IDRC supported 17 conferences and 75 outreach activities across Canada to share the results of IDRC-funded research. Notable among these was a cross-country tour by HarassMap co-founder Rebecca Chiao, an IDRC grantee, during CIDA's International Development Week. The work and impact of IDRC-supported researchers, as well as insights in international development, were also presented through nine public events held at head office in Ottawa. More than 840 participants, as many as one-third from government agencies, attended these events and our fourth annual public meeting held in November 2012. We extend the reach of our events through social media campaigns and by posting videos of our public lectures on YouTube.

We also expanded our outreach in 2012-2013 to further engage with travelling delegations of MPs or Senators from various parliamentary associations in the Department of Foreign Affairs and International Trade portfolio. In the past year, for instance, we provided information on IDRC projects and impacts in relevant countries to five Canadian delegations.

Our work to increase awareness and strengthen relations with Canadian parliamentarians resulted in IDRC being included in two reports this year. The Senate Committee on Foreign Affairs and International Trade recognized IDRC's contributions to policy interests in its May 2012 report, *Intensifying Strategic Partnerships with the New Brazil*. This report drew on testimony by IDRC's Regional Director of Latin America and the Caribbean, Federico Burone, in 2011. A report by the Canadian branch of the Commonwealth Parliamentary Association, published in December 2012, describes a visit earlier that year to IDRC's Asia Regional Office by a delegation of Canadian MPs and Senators.

In addition, our stronger engagement with Minister of State for Foreign Affairs Diane Ablonczy led to her launch of an IDRC-funded project on food security in Guatemala during a December 2012 roundtable hosted by Governor General David Johnston.

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, and through our 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: 14 new titles were added in 2012-2013.

This year as last our presence on social media channels grew considerably. As of March 31, 2013, we counted 6,400 Facebook fans and more than 8,600 Twitter followers. Our YouTube channel attracted 150,414 views, almost double last year's number. We piloted two new channels this year, Tumblr and Pinterest.

Information technology and knowledge management

IDRC's Information Management and Technology Division champions and facilitates good information management practices, ensures the integrity of information and access to institutional information, and introduces and promotes the use of information technologies.

In 2012-2013, IDRC deployed considerable efforts to rationalize and optimize costs related to its information technology operations. This included an upgrade to the email system to reduce the costs of the service while facilitating communication between regional and head offices.

Internal pilot projects were also launched to facilitate the use of personal devices, such as touch-sensitive tablets, while observing our rules for IT security. An upgrade of our network operating system also enabled us to update security management tools and enhance security measures. ■

MANAGEMENT'S DISCUSSION AND ANALYSIS

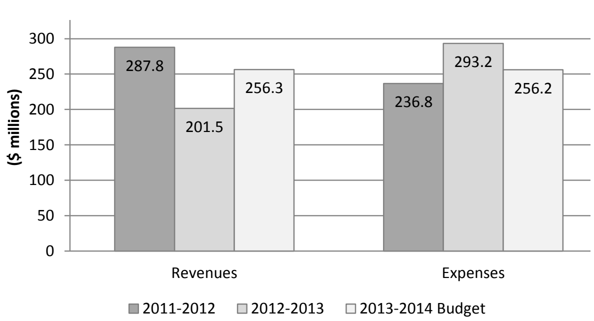
Summary of results

- Revenue decreased by 30% to $201.5 million from $287.8 million in 2011-2012 mostly as a result of rescheduling $77.0 million for the Development Innovation Fund into future years. Details are on page 26.
- Expenses increased by 23.8% to $293.2 million from $236.8 million (excluding one-time restructuring costs) in 2011-2012, due primarily to higher spending on the DIF, the African Adaptation Research Centres (AARC), and the Adaptation Measures to Climate Change (AMCC) special programs. Details are on page 29.
- Development Innovation Fund spending increased to $52.1 million from $20.2 million in 2011-2012. Details are on page 26.
- As at 31 March 2013, equity had decreased by 88.3% to $12.2 million from $103.8 million at 31 March 2012. The decrease in equity primarily reflects the use of the amounts that had been restricted for the programs described above. At 31 March 2013, the restricted equity balances for these programs were zero. Details are on page 35.
- Outstanding commitments for recurring activities funded by the Parliamentary appropriation amounted to $156.6 million, a decrease of 5.0% during the year. Outstanding commitments funded by donor contributions decreased by 28.7%. Details are on page 34.
- Corporate and administrative services expenses decreased to 7.5% of total expenses in 2012-2013, continuing the steady decline of recent years. Details are on page 30.

Notes:

- *All monetary amounts are in Canadian dollars unless otherwise stated.*
- *The Centre's basis of accounting is the set of International Financial Reporting Standards (IFRS) (see Note 3, page 44, of the Notes to the Financial Statements).*

FIGURE 1: FINANCIAL HIGHLIGHTS



2012-2013 Budget

The 2012-2013 original budget summary presented in Table 1 was also presented in the 2012-2013 Program of Work and Budget and IDRC's *Annual Report 2011-2012*. The budget forecast was revised at mid-year, after more accurate information on the reduction of personnel became available. The decrease in the Parliamentary appropriation line reflects the revised timing of the portion of the appropriation intended for the Development Innovation Fund.

TABLE 1: REVISED BUDGET

($000)	Original budget 2012-2013	Revised budget 2012-2013	Budget amendments
Revenues	45 617	45 326	(291)
Minus: Expenses	274 251	275 989	1 738
Cost of operations	(228 634)	(230 663)	(2 029)
Plus: Parliamentary appropriation	167 549	159 537	(8 012)
Net results of operations	**(61 085)**	**(71 126)**	**(10 041)**

Corporate developments

Budget 2012: Economic Action Plan reductions

Under the Government's Economic Action Plan, the Centre's Board of Governors was reduced from 18 members to 14 by an amendment to the *IDRC Act*, which was included in Bill C-38 (the *Budget Implementation Act*).

The Singapore regional office was officially closed on 31 July 2012. Consolidation of Asian operations in the New Delhi office took place between that date and 31 March 2013.

The regional office in Dakar was officially closed on 30 November 2012 and sub-Saharan African operations were consolidated into the Nairobi office between 1 April 2012 and 31 March 2013. Transition costs related to the consolidation of regional office operations were accounted for within the restructuring provision taken at 31 March 2012.

Changes in key personnel

The following changes occurred within the ranks of IDRC's key senior management:

- As foreseen in the 3rd Quarter Financial Statements, David M. Malone left IDRC on 28 February 2013. Pending the Government's consideration of the Board of Governors recommendation concerning a new President, the Board of Governors appointed Jean Lebel, Vice-President, Programs and Partnerships, to act as President on an interim basis. On 1 May 2013, by Order in Council, the Government appointed Jean Lebel to continue to serve as President until such time as a new President is appointed.

- As a result of Jean Lebel's Order in Council appointment to serve as President, Stephen McGurk was appointed Acting Vice-President, Programs and Partnerships, effective 13 May 2013.

Corporate risk

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 at 31 March 2013 are listed below.

Risk trend: ↓ Decreasing → Stable ↑ Increasing

Key risk	Risk mitigation actions	Risk trend	Expected impact
Funding New donor partnerships may have an impact on the Centre's programming directions.	New partnership agreements continue to be negotiated through ongoing dialogue and monitoring of key donors and improvements to partnering processes.	↓	6 new funding agreements worth $92.5 million were signed in 2012-2013; 8 others currently under negotiation.
Strategic risk The Centre may have difficulty demonstrating its relevance and achievements.	The Board and management continue to communicate and engage with the Government of Canada to ensure programs and funding are aligned with federal policies and priorities. The Centre continues its efforts to reach Canadian decision-makers and other stakeholders through conferences and outreach activities, by contributing to policy debates relevant to Canada, through print and e-publications, and by engaging in social media. The Centre maintains and is strengthening open access to the results of the research it supports. The Centre is moving toward the adoption of the International Aid Transparency Initiative Standard.	→	The Centre will continue to demonstrate its contribution to federal priorities. The Canadian constituency remains a key target audience. The Centre will continue to demonstrate the effectiveness of Canadian aid dollars.
Organizational risks The Centre awaits appointments of a new President and a number of Governors to its Board, including the Chairperson.	A transition plan is in place for the interim and permanent President and Chairperson of the Board. Measures have been taken to ensure that Centre business is carried out in the event of continued Board vacancies. The Centre's senior management team is stable and experienced.	↑	Once the appointees are in place the final transitions are expected to proceed smoothly.
Recruiting, training, and retaining a skilled workforce pose challenges.	Outreach efforts to recruit professionals continue.		Workforce continues to renew and new programs receive adequate support.

(continued...)

Key risk	Risk mitigation actions	Risk trend	Expected impact
Operating risks		→	
The Centre's information management vision has reached its due date.	A knowledge management plan is being developed to improve the Centre's ability to invest in, manage, and share intellectual capital in relation to the Corporate Strategic Plan.		Improved ability of staff to share and disseminate knowledge and improved access to the Centre's resources and research reports.
The Centre continues to implement its expense reduction plans.	Management and Board monitor expense reduction plans.		The Centre will meet its expense reduction targets.
Business consolidation in regional offices.	Enhanced coordination of programming across thematic and geographic areas.		Effective regional representation and program management.
Undetected research organization weakness.	Monitoring of regional offices' abilities to manage research recipient administrative capacity in light of reduced regional operations.		Maintenance of surveillance system and financial control framework for research projects.
External risks		→	
Staff safety and operations could be disrupted by unforeseen security situations.	During the year the Centre closely monitored and managed the security situations in its Cairo and Nairobi regional offices.		Inevitably, there is an area of inherent risk in the Centre's work with unforeseeable situations to be faced in the future.

Revenues

The Centre secures its revenues from four sources: Parliamentary appropriation, donor contributions, investment income, and other income. Of these, the Parliamentary appropriation is the most significant. Although it is included with revenues for discussion purposes, it appears, consistent with IFRS reporting form, singularly below the line on the Statement of Comprehensive Income following expenses.

TABLE 2: REVISED BUDGET

	2011-2012 Actual	2012-2013 Actual
Parliamentary appropriation	83.2%	78.1%
Donor contributions [a]	16.1%	21.0%
Investment income	0.4%	0.6%
Other income	0.3%	0.3%

[a] Includes recovery of administrative costs.

TABLE 3: REVENUES

	2011-2012	2012-2013				2013-2014
($000)	Actual [a]	Revised budget	Actual	Variance	% change actual [b]	Budget
Parliamentary appropriation	239 441	159 537	157 455	(2 082)	-34.2 %	201 705
Donor contributions						
Funding for development research programs	42 095	39 837	38 592	(1 245)	-8.3 %	48 421
Recovery of administrative costs	4 242	3 939	3 712	(227)	-12.5 %	4 787
Investment income	1 251	1 300	1 169	(131)	-6.6 %	1 026
Other income	772	250	574	324	-25.6 %	402
Total revenues	**287 801**	**204 863**	**201 502**	**(3 361)**	**-30.0 %**	**256 341**

[a] Certain accounts were reclassified to comply to the financial presentation of this year.

[b] % change actual in 2012-2013 over 2011-2012.

Parliamentary appropriation revenue

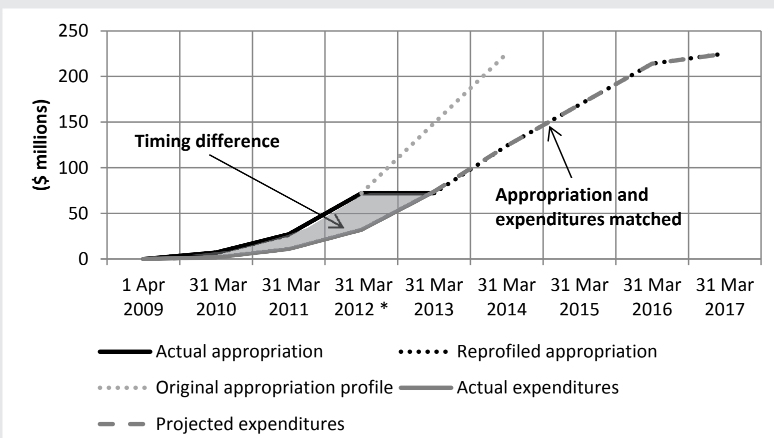
The Centre receives a Parliamentary appropriation to deliver its mandate. The Government of Canada includes this appropriation in its international assistance envelope (IAE). The Centre's Parliamentary appropriation decreased by 34.2% to $157.5 million from $239.4 million in 2011-2012, $2.1 million lower than budgeted. The decrease in revenues was due primarily to the rescheduling of the appropriation for the Development Innovation Fund ($0 in 2012-2013 versus $45.0 million in 2011-2012) and the non-recurrence of the one-time amount of $27.5 million received in 2011-2012 for the AMCC special program under the Government's Fast Start Financing, which also includes the AARC. The 2012-2013 reduction also included $6.2 million previously announced as part of the overall budget reductions in Budget 2012: Economic Action Plan. The balance of the decrease corresponds to the refund of unused Fast-Start Financing through the lapsing of a portion of the 2012-2013 appropriation.

The Parliamentary appropriation also included transfers from other federal agencies in support of the Centre's collaboration. Those transfers do not form part of the long-term recurring funding base.

Development Innovation Fund–Health (DIF — Health)

The February 2008 federal budget created the Development Innovation Fund to bring together Canadian and developing-country scientists, and the private sector, to tackle persistent health challenges facing poor countries. The DIF is overseen by a three-institution consortium led by the Centre. Following a request submitted by the Centre, the Economic Action Plan 2013 confirmed that the appropriation profile for the DIF would be realigned for fiscal year 2012-2013 through 2016-2017. This realignment was required to better match the inflow of funds with the anticipated timing of the remaining expenditures. The amount received for the DIF is shown below.

FIGURE 2: CUMULATIVE APPROPRIATION AND EXPENDITURES



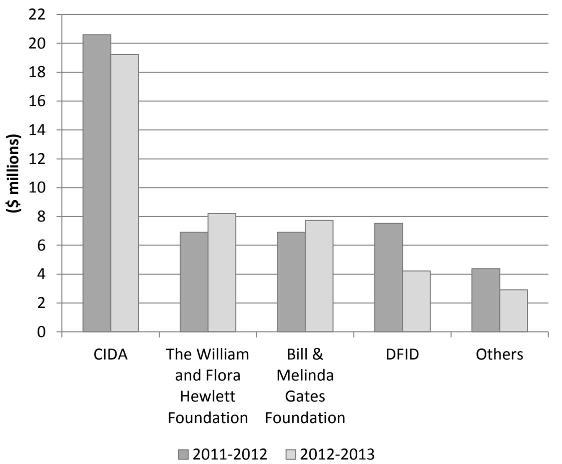
* In 2011-2012 $0.9 million was transferred to the Canadian Institutes of Health Research.

Donor contribution revenues

Donors may contribute to either programs or specific projects; however, funds received are not recognized as revenue until the related expenses are incurred. Consequently, the impact of donor contributions on the Centre's net results and year-end equity is limited to timing differences between the amount spent on indirect administrative costs and the administrative costs recovered (or not) from donors.

The budget for the year anticipated a decrease from the previous year. Donor contribution revenues decreased by 8.3% to $38.6 million from $42.1 million in 2011-2012, $1.2 million lower than budgeted. The budget variance is due principally to deferred spending under a few large agreements, such as the Canadian International Food Security Research Fund. The contributions of the most significant donors, expressed in revenue terms for the current and prior year, are outlined in Figure 3.

FIGURE 3: REVENUES FROM DONOR CONTRIBUTIONS [a]



[a] Expended on development research programming and administrative costs.

CIDA: Canadian International Development Agency
DFID: Department for International Development (UK)

The **recovery of administrative costs** is the reimbursement received for indirect expenses incurred to administer projects and to enable capacity building. The indirect expenses consist mostly of variable costs that can be apportioned among the Centre and donor projects. The Centre does not include any of its Parliamentary-funded fixed corporate costs (i.e., overhead) in its cost recovery from donors. Revenue in 2012-2013 was under budget by $0.2 million. This is not proportional to the donor contribution variance due to the range of actual indirect costs and cost recovery rates of the various contribution agreements.

The rate of recovery of administrative costs rate is set between 10% and 12% of direct project costs, depending on the specific terms of each donor agreement. A slightly different scale applies to agreements signed with Canadian government departments and agencies. Management has calculated that donors paid a fair and proportionate share of total indirect project expenses as defined above.

Investment income

The Centre temporarily invests excess working capital in high-quality money market instruments. In 2012-2013, this resulted in investment income of $1.2 million, a small decrease over 2011-2012 due to the lower amount available to invest. At year end, the weighted average yield on the Centre's investments was 1.25% compared to the average Treasury Bill yield of 0.98%.

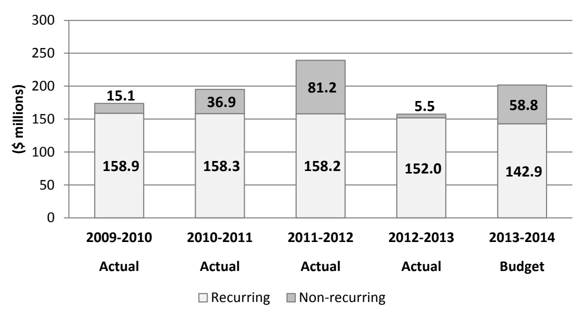
Other income

Other income includes revenues associated with conference management activities and other miscellaneous items such as the sale of publications and the subletting of office space. Income from these sources amounted to $0.6 million in 2012-2013, compared to $0.8 million in 2011-2012.

Revenue outlook

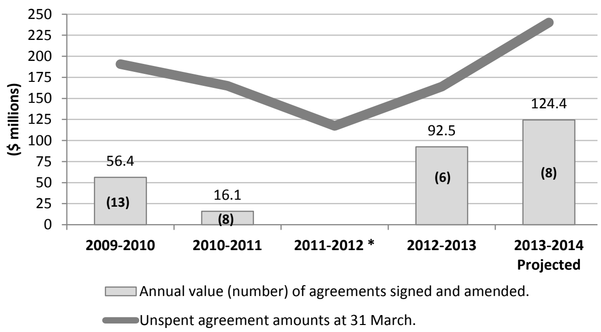
The IAE appropriation from Parliament is anticipated to be $201.7 million in 2013-2014, a net increase of $44.3 million from 2012-2013. The increase is related to the rescheduling of the non-recurring appropriation for the DIF ($52 million in 2013-2014, see Figure 2). However, the Centre's recurring Parliamentary appropriation will decrease by $9.1 million in 2013-2014 due to the implementation of the second phase of the Government's Budget 2012: Economic Action Plan. The changes in Parliamentary appropriation are reflected in the recurring and non-recurring reference level amounts (see Figure 4).

FIGURE 4: RECURRING AND NON-RECURRING REFERENCE LEVEL



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 2013-2014 with the most significant donors being the Canadian International Development Agency (CIDA), the UK Department for International Development (DFID), the William and Flora Hewlett Foundation, and the Bill & Melinda Gates Foundation. During 2013-2014, management anticipates that most (80.1%) of the $48.4 million in donor contribution revenue for research projects and capacity building will come from existing donor agreements. The balance will be sourced from new agreements signed during the last quarter of 2012-2013 and the first half of 2013-2014.

FIGURE 5: PROFILE OF DONOR CONTRIBUTIONS

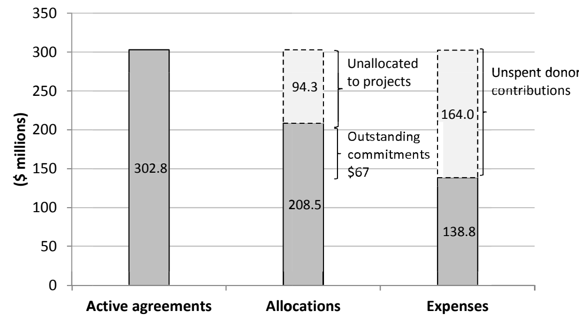


* No new contribution agreements were signed in 2011-2012

Partnerships are fluid and take time to negotiate. Although no new contribution agreements were signed in 2011-2012, the groundwork was laid for future substantial agreements, which could lead to significant amounts of donor funding in the coming years. Taking into consideration ongoing negotiations, management anticipates the value of new contribution agreements signed in 2013-2014 to be approximately $124.4 million (see Figure 5). As the Centre enters into new multi-year contribution agreements, the unspent agreement amounts can increase significantly in the year following the signature of the agreement.

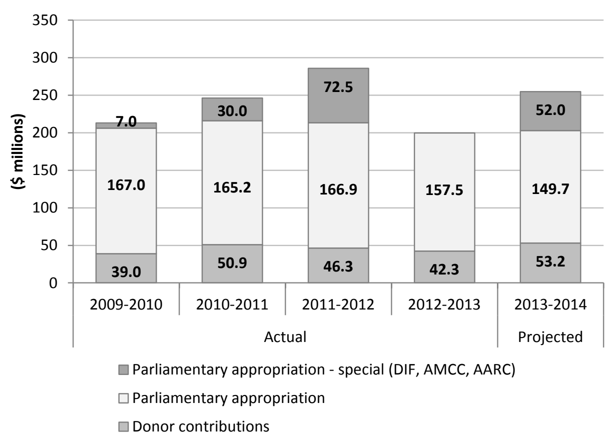
Of the $302.8 million in active agreements at 31 March 2013, $164.0 million is expected to be spent over the remaining life of the agreements. Of this amount, $94.3 million is yet to be allocated (see Figure 6). Management expects to spend, and recognize as revenue, $53.2 million of unspent donor contributions during 2013-2014.

FIGURE 6: DONOR FUNDING AS AT 31 MARCH 2013



The Centre's Parliamentary appropriation represented approximately 78% of total revenues in 2012-2013. This proportion will increase slightly to approximately 79% in 2013-2014. This small increase is due almost entirely to the revised timing of the inflows relating to the DIF, which are expected to be greater than the reduction in the recurring Parliamentary appropriation described earlier. The proportion of donor contributions will also increase while other sources of revenue are expected to remain relatively stable (see Figure 7).

FIGURE 7: PARLIAMENTARY APPROPRIATION AND DONOR CONTRIBUTION REVENUE (ACTUAL AND PROJECTED)



Expenses

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

TABLE 4: EXPENSES

($000)	2011-2012 Actual [a]	2012-2013 Revised budget	2012-2013 Actual	2012-2013 Variance	% change actual [b]	2013-2014 Budget
Development research programming						
Research projects						
Funded by Parliamentary appropriation	128 891	171 079	192 178	21 099	49.1 %	144 824
Funded by donor contributions	36 885	35 816	34 069	(1 747)	-7.6 %	42 904
	165 776	206 895	226 247	19 352	36.5 %	187 728
Capacity building						
Enhancing research capabilities	38 501	36 368	35 798	(570)	-7.0 %	37 717
Research complements	9 482	9 630	8 992	(638)	-5.2 %	9 679
	47 983	45 998	44 790	(1 208)	-6.7 %	47 396
	213 759	**252 893**	**271 037**	**18 144**	**26.8 %**	**235 124**
Corporate and administrative services	**23 049**	**23 096**	**22 147**	**(949)**	**-3.9 %**	**21 040**
Total expenses excluding restructuring costs	**236 808**	**275 989**	**293 184**	**17 195**	**23.8 %**	**256 164**
Restructuring costs	**5 186**	**-**	**-**	**-**	**-**	**-**
Total expenses including restructuring costs	**241 994**	**275 989**	**293 184**	**17 195**	**21.2 %**	**256 164**

[a] Certain accounts were reclassified to comply to the financial presentation of this year.
[b] % change actual in 2012-2013 over 2011-2012.

Development research programming expenses

Expenses for development research programming increased by 26.8% in 2012-2013 to $271 million, up from $213.8 million in 2011-2012. This net increase ($57.2 million) is primarily due to the increased spending for the DIF and Fast-Start Financing. 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 in situations where it is deemed more appropriate for those activities to be undertaken as part of its ongoing mandate. Capacity building is carried out through two main modalities: in-house projects and mentoring activities provided by the Centre.

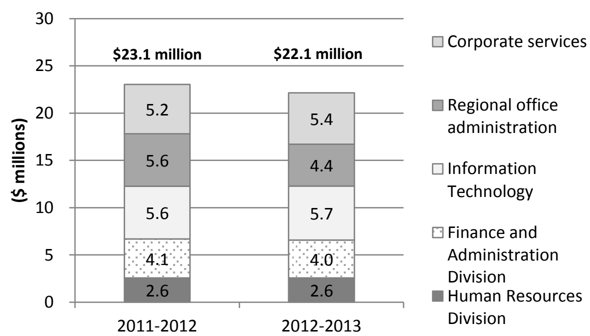
Research project expenses reflect direct costs, mainly in the form of grants and scientific and technical research project funding, administered by the Centre as part of its ongoing programs. This category of expenses also includes, to a lesser extent, individual training grants, scholarships, fellowships, internships, and individual research and research-related grants that support the work and activities undertaken by individuals. In 2012-2013, research project expenses funded by Parliamentary appropriation increased by 49.1% (Table 4) to $192.2 million from $128.9 million in 2011-2012. As shown in Table 5, this year-over-year increase is due to higher expenses for the special programs: the DIF (included under the Global Health Policy program) and the African Adaptation Research Centres (AARC) initiative and Adaptation Measures to Climate Change (AMCC) (included under the Agriculture and Environment program). When compared to the 2012-2013 revised budget (see Table 4), the increase in expense levels was $21.1 million higher. The research project expenses for donor contributions decreased by 7.6% to $34.1 million from $36.9 million due to a decline in the number of donor agreements.

TABLE 5: RESEARCH PROJECT EXPENSES BY PROGRAM AREA FOR THE YEAR ENDED 31 MARCH 2013 ($000)

	2011-2012			2012-2013		
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	63 329	11 692	75 021
Global Health Policy	30 113	6 834	36 947	63 228	6 338	69 566
Social and Economic Policy	21 185	13 068	34 253	21 353	15 754	37 107
Science and Innovation	25 181	162	25 343	24 789	241	25 030
Donor Partnerships and Special Initiatives Divisions	14 036	485	14 521	19 479	44	19 523
Total	**128 891**	**36 885**	**165 776**	**192 178**	**34 069**	**226 247**

Capacity building costs represent one of the main lines of the Centre's business in the developing regions of the world, as outlined in the *IDRC Act* — the advisory and knowledge brokerage functions, central to the Centre's business model and to corporate performance. They break down into enhancing research capabilities and research complements. Capacity-building expenses decreased by 6.7% to $44.8 million in 2012-2013 from $48 million in 2011-2012, $1.2 million lower than budgeted. The decline is directly linked to the plans made by management to address the lower appropriation resulting from reductions under the Government's Budget 2012: Economic Action Plan. The budget variance in expenses reflects, among other things, reduced travel activities and fewer professional services being procured.

FIGURE 8: CORPORATE AND ADMINISTRATIVE SERVICES EXPENSES

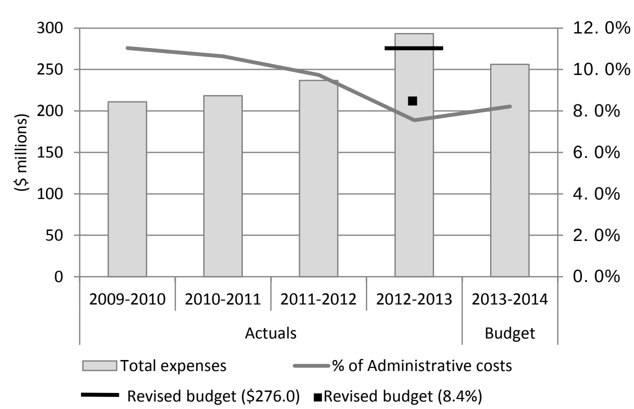


Corporate and administrative services expenses

Corporate and administrative services provide a variety of policy, executive, administrative, and service functions that support the Centre's overall operations and corporate responsibilities. They were subject to the expense constraints mentioned earlier. Expenses decreased by 3.9% to $22.1 million from $23.1 million in 2011-2012, $1.0 million less than budgeted, due primarily to underspending on salary and benefits, travel, and professional services. Spending by function remained relatively stable year- over-year with the exception of regional office administration where expenses were reduced to $4.4 million in 2012-2013 from $5.6 million in 2011-2012, due to the consolidation of the original six regional offices into four.

As shown in Figure 9, corporate and administrative services declined from 11% of total expenses in 2009-2010 to a projected 8.2% in 2013-2014, demonstrable results of the Centre's effort to reduce administrative costs relative to program spending. The apparent increase in 2013-2014 over 2012-2013 is related to lower overall expenses for that year. In fact, the 2013-2014 budget for corporate and administrative services is expected to be $21.0 million, a decrease of $1.1 million from 2012-2013 (see Table 4).

FIGURE 9: CORPORATE AND ADMINISTRATIVE SERVICES



Restructuring costs

Following the announcement of the Government's Budget 2012: Economic Action Plan reductions, management introduced a restructuring plan to consolidate the Centre's business and reduce the number of programs. The resulting disbursements appear below in Table 6.

TABLE 6: RESTRUCTURING DISBURSEMENTS AS AT 31 MARCH 2013

	2011-2012			2012-2013	
($000)	Provision	Disbursed	Closing value as at 31 March	Disbursed	Closing value as at 31 March
Workforce adjustment payments	3 378	-	3 378	3 287	91
Reduction in office space	1 149	-	1 149	1 002	147
Other costs	659	139	520	466	54
Total	**5 186**	**139**	**5 047**	**4 755**	**292**

Expenses outlook

The year 2013-2014 will be one of continued transition and adjustment to the expense reductions mandated by the Government's Budget 2012: Economic Action Plan. Total expenses will reach $256.2 million during 2013-2014, a 12.6% decrease from $293.2 million in 2012-2013.

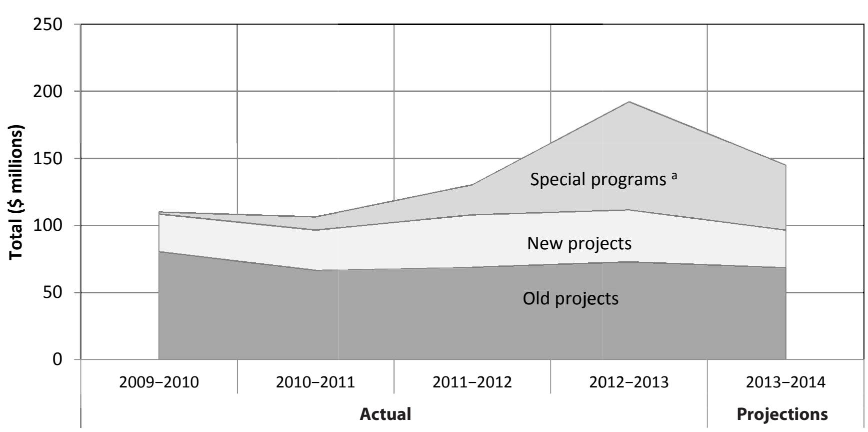
Development research programming expenses are expected to decrease by 13.3% to $235.1 million compared to actual expenses of $271.0 million in 2012-2013. The decrease is due to the finalization of AARC and AMCC funding and takes into account the expected increase in DIF expenses.

The corporate and administrative services budget is expected to decrease from $22.1 million to $21.0 million as management continues to reduce expenses while maintaining an efficient and competent administrative function.

The 2013-2014 Parliamentary appropriation-funded expenses from projects approved in prior years (i.e., expenses on "old" projects), excluding special programs, will reach $68.2 million in 2013-2014 (see "old projects" in Figure 10). This amount represents about 70% of the funding available for projects during the year. Funding available for new projects will decrease from $38.8 million in 2012-2013 to $28.3 million in 2013-2014 as a result of lower planned project allocations.

The appropriation for the DIF is expected to increase to $52.0 million in 2013-2014. While DIF expenses, shown under "special programs" in Figure 10, are technically old project expenses, they contribute significantly to future total project expenses.

FIGURE 10: PARLIAMENTARY APPROPRIATION-FUNDED PROGRAM EXPENSES

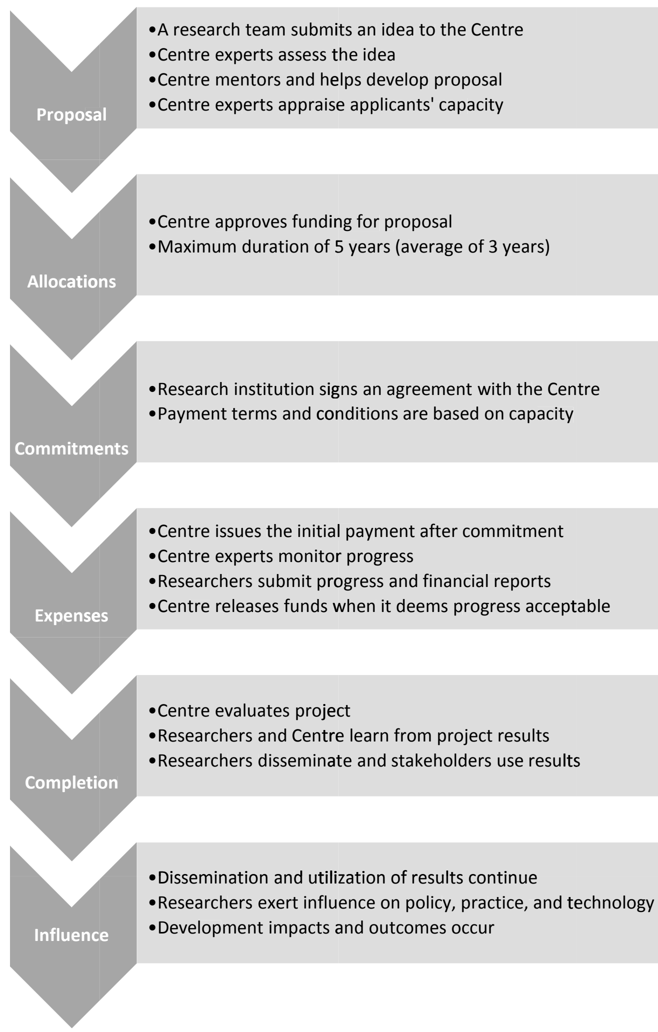


[a] Special programs are funded from the non-recurring portion of the Centre's Parliamentary appropriation. In years prior and up to 2012-2013, special programs included the DIF, AMCC, and AARC, while the 2013-2014 projected expenses only include DIF.

Other key financial indicators

As part of its mandate, the Centre provides financial support to researchers in developing countries and undertakes in-house scientific and technical research. The timing of the key life-cycle events (see Figure 11) directly influences the level of future development research expenses. As such, the Centre carefully monitors project-related financial indicators, such as allocations and outstanding commitments, to ensure early detection of trends away from budget targets.

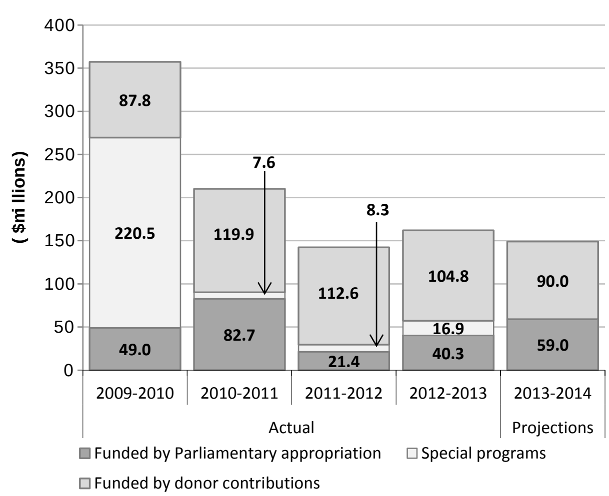
FIGURE 11: LIFE CYCLE OF RESEARCH PROJECTS



Program allocations funded by Parliamentary appropriation

Program allocations (see Figure 12) funded by the Parliamentary appropriation decreased 7.0% to $104.8 million in 2012-2013 from $112.6 million in 2011-2012. Special programs funded by the Parliamentary appropriation increased to $16.9 million in 2012-2013 from $8.3 million in 2011-2012, mainly as a result of allocations of the AMCC funds that were provided to the Centre through the 2011-2012 Parliamentary appropriation.

FIGURE 12: PROGRAM ALLOCATIONS



Program allocations funded by donor contributions

The program allocations funded by donor contributions increased by 88.8% to $40.3 million in 2012-2013 ($26.7 million over budget) from $21.4 million in 2011-2012. The increase reflects the signature of an agreement with the UK Department for International Development to fund the African Institute for Mathematical Sciences that the Centre is already supporting pursuant to a Government announcement made in July 2010.

About 74% of the $162.0 million program allocations made in 2012-2013 was committed during the fiscal year; expenditures began on these committed projects and will continue over their lifespans. The 2013-2014 program allocations funded by the Parliamentary appropriation are expected to be $90.0 million (see Figure 12), which reflects the decrease in the Parliamentary appropriation resulting from the Government's Budget 2012: Economic Action Plan reductions. The amount of funds available for programming not linked to donor contributions stands at $73.8 million or about 50% of total program allocations of $149.0 million.

TABLE 7: OUTSTANDING COMMITMENTS ON DEVELOPMENT RESEARCH PROGRAMMING

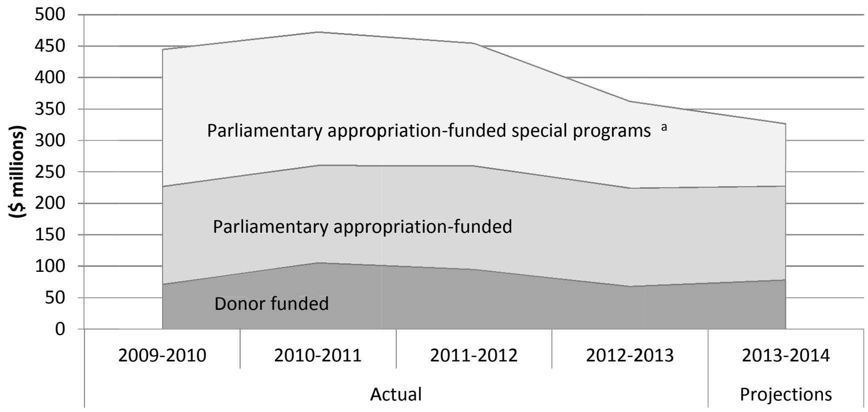
($000)	2011-2012 Actual	2012-2013 Actual	% change actual [a]
Total outstanding commitments	**453 973**	**361 675**	**-20.3 %**
Funded by Parliamentary appropriation	164 855	156 559	-5.0 %
Funded by Parliamentary appropriation - Special programs [b]	194 791	137 817	-29.2 %
Funded by donor contributions	94 327	67 299	-28.7 %

[a] % change actual in 2012-2013 over 2011-2012.
[b] This segregation is made solely by management to facilitate the interpretation of the outstanding commitments amounts. At 31 March 2013, the amount included $137.5 million for the DIF ($188.9 million at 31 March 2012).

As at 31 March 2013, the Centre is committed to payments of up to $361.7 million for development research programming activities over the next five years. Commitments are subject to funds being provided by Parliament ($294.4 million) and by donor partners ($67.3 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 2012-2013. Outstanding commitments related to the DIF decreased to $137.5 million from $188.9 million in 2011-2012 as a result of the Fund having reached a steady pace of programming. The remaining outstanding commitments funded by Parliamentary appropriation decreased by 5.0% to $156.6 million from $164.9 million in 2011-2012.

Outstanding commitments for 2013-2014 are expected to decrease from 2012-2013 (see Figure 13 on next page) due primarily to the reduction in outstanding commitments for special programs and those funded by Parliamentary appropriation. The outstanding commitments funded by donor contributions are expected to increase in 2013-2014.

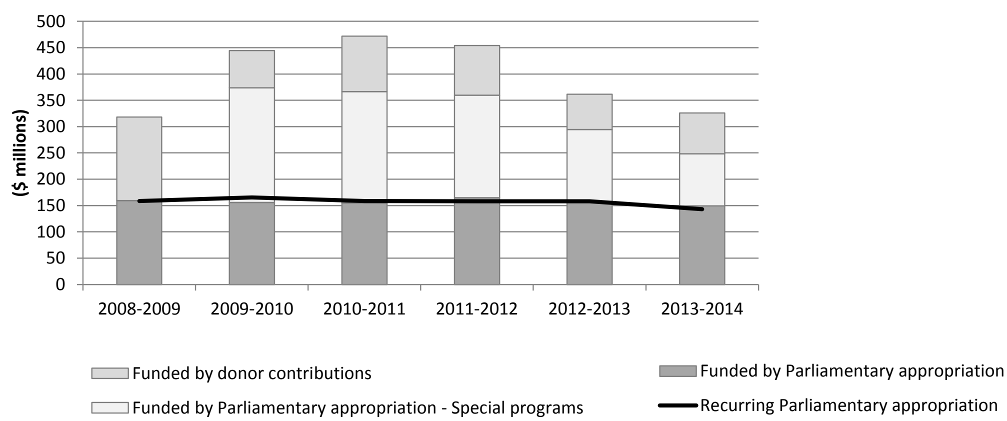
FIGURE 13: OUTSTANDING COMMITMENTS ON DEVELOPMENT RESEARCH PROGRAMMING



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

While the total amount of outstanding commitments fluctuates from year-to-year as a result of new donor contribution agreements and special programs, the level of outstanding commitments funded by Parliamentary appropriations remains relatively stable over time. The Centre continuously monitors the level of outstanding commitments funded by Parliamentary appropriation to ensure it remains consistent with the level of the recurring annual appropriation. As demonstrated in Figure 14, the Centre's outstanding commitments for program funding do not exceed its recurring Parliamentary appropriation.

FIGURE 14: OUTSTANDING COMMITMENTS ON DEVELOPMENT RESEARCH PROGRAMMING COMPARED TO RECURRING PARLIAMENTARY APPROPRIATION



Statement of financial position discussion

TABLE 8: ASSETS AND LIABILITIES

($000)	2011-2012 Actual	2012-2013 Actual	% change actual [a]
Current assets	133 584	55 104	-58.7 %
Non-current assets	22 522	10 275	-54.4 %
Total assets	**156 106**	**65 379**	**-58.1 %**
Current liabilities	45 978	48 248	4.9 %
Non-current liabilities	6 294	4 979	-20.9 %
Total liabilities	**52 272**	**53 227**	**1.8 %**

[a] % change actual in 2012-2013 over 2011-2012.

For definitions of current and non-current assets and liabilities refer to the Notes to the Financial Statements, page 44.

The past year has seen a planned drop in Centre assets and liabilities, linked to operating results. Total assets decreased 58.1% to $65.4 million from $156.1 million in 2011-2012. The decrease in current assets is due to the expenditure of targeted funds that had accumulated as restricted equity (see Table 9), causing an operating deficit and negative cash flow in 2012-2013. The nature of the decrease in assets is detailed in Notes 7 to 11 of the financial statements.

Total liabilities increased by 1.8% to $53.2 million from $52.3 million. Current liabilities increased by $2.3 million mainly due to higher grant accruals at year-end. The non-current liabilities decreased by $1.3 million due lower deferred revenue for the programs and projects funded by donor contributions. All liabilities on the Centre's balance sheet are fully funded.

TABLE 9: EQUITY

($000)	2011-2012 Actual	2012-2013 Revised budget	2012-2013 Actual	2012-2013 Variance	2013-2014 Budget	% change actual [a]
Unrestricted	10 996	-	-	-	-	-100.0 %
Internally restricted	74 996	14 866	1 171	(13 695)	1 114	-98.4 %
Net investments in capital assets	11 365	10 275	10 275	-	10 275	-9.6 %
Reserved	6 477	7 567	706	(6 861)	7 655	-89.1 %
Total equity	**103 834**	**32 708**	**12 152**	**(20 556)**	**19 044**	-88.3 %

[a] % change actual in 2012-2013 over 2011-2012.

The Centre's equity is classified as internally restricted, net investments in capital assets, reserved, or unrestricted. The equity level in each class is established in accordance with the Centre's Equity Policy (see Note 17 of the financial statements).

During 2012-2013 the **restricted** equity funds for AARC, AMCC, and the DIF were fully utilized. At 31 March 2013, the restricted equity balance of $1.2 million consisted mainly of funds for the John G. Bene Fellowship (see Note 17 of the financial statements). Internally restricted equity funds cannot be transferred between special-purpose envelopes or to the unrestricted class. In accordance with Centre policy, internally restricted equity is reduced as funds are used for the purposes for which they have been set aside.

The **net investment in capital assets** of $10.3 million segregates the portion of the equity representing the Centre's net investments in capital assets. That portion of the accumulated surplus funds the future amortization and depreciation expenses for capital assets. Its asset counterpart is not cash.

The Centre made use of its financial planning **reserve** budgeted at $7.6 million to absorb additional expenses for two research projects resulting from year-end grant accruals. The reserve equity is important for several reasons: to protect against the constantly evolving funding modality and nature of programming; to offset the variability of the timing of programming expenses, which is dependent on the performance of recipients; and to reduce the potential impact small variations in the rate of development research programming expenses can have on total expenses. The reserve may also include an amount for the future purchase of property, equipment, and intangibles. The Board of Governors has approved a policy for managing equity.

The **unrestricted** equity represents the residual balance of equity after the allotments are made to internally restricted and reserved equity. Unrestricted equity decreased to zero from $11.0 million in 2011-2012 as a result of increased expenses on research projects.

Financial position outlook

As a number of negotiations are currently underway, there is a strong possibility that several new donor contributions agreements will be signed in 2013-2014, which could result in an increase in current liabilities in 2013-2014 in the form of higher deferred revenues. This increase would be matched by an equivalent increase in current assets.

In light of the forecasted appropriation revenue (see Revenue Outlook, page 27), and expected expenses, the restricted equity level is projected to remain stable at the end of 2013-2014. The reserved equity will be restored to a reasonable and safe level to meet the objectives outlined above. Finally, the expenditure cycle takes into account the availability of unrestricted equity, which should remain at almost zero by 31 March 2014.

Other information

Critical accounting policies
A summary of the Centre's significant accounting policies can be found in Note 4 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
Our 2012-2013 statements are compliant with the International Financial Reporting Standards, which have been in effect since 1 January 2011 in Canada for publicly accountable enterprises. Pending standards and interpretations issued by the International Accounting Standards Board are discussed in Note 5 of the Notes to the Financial Statements.

Quarterly financial reporting in 2013-2014
In adherence 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

	Actual				Budget
($000)	**2009-2010**	**2010-2011**	**2011-2012**	**2012-2013**	**2013-2014**
Program allocations					
Development research programming					
Funded by recurring Parliamentary appropriation	305 862	127 420	120 738	104 756	90 000
Funded by non-recurring Parliamentary appropriation	2 432	74	152	16 911	-
Funded by donor contributions	49 046	82 669	21 366	40 335	59 021
Outstanding commitments					
Funded by Parliamentary appropriation	373 700	366 682	359 646	294 376	248 194
Funded by donor contributions	70 715	105 169	94 327	67 299	77 750

Four-year historical review (continued)

($000)	Actual				Budget
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Statement of comprehensive income					
Revenues					
Parliamentary appropriation	174 041	195 199	239 441	157 455	201 705
Donor contributions					
Funding for development research programs	35 109	46 299	42 095	38 592	48 421
Recovery of administrative costs	3 842	4 623	4 242	3 712	4 787
Investment income	288	627	1 251	1 169	1 026
Other income	1 181	927	772	574	402
Expenses					
Development research programming					
Research projects					
Funded by Parliamentary appropriation	108 430	104 641	128 891	192 178	144 824
Funded by donor contributions	27 839	39 861	36 885	34 069	42 904
Capacity building					
Enhancing research capabilities	41 913	40 740	38 501	35 798	37 717
Research complements	9 489	9 992	9 482	8 992	9 679
Development research programming	187 671	195 234	213 759	271 037	235 124
Corporate and administrative services	23 276	23 239	23 049	22 147	21 040
Results of operations before restructuring costs	3 514	29 202	50 993	(91 682)	177
Restructuring costs	-	-	5 186	-	-
Net results of operations	3 514	29 202	45 807	(91 682)	177
Statement of financial position					
Assets					
Cash and cash equivalents	23 238	14 235	9 494	581	
Investments - current	45 982	73 884	92 199	50 795	
Accounts receivable and prepaid expenses	11 277	8 715	31 891	3 728	
Investments - non-current	-	-	11 157	-	
Property and equipment	10 332	9 224	8 359	7 423	
Intangible assets	2 019	2 710	3 006	2 852	
Liabilities					
Accounts payable and accrued liabilities	14 452	15 541	19 237	25 094	
Provision for restructuring	-	-	5 047	292	
Deferred revenue - current	34 304	22 730	21 694	22 862	
Deferred revenue - non-current	8 980	5 843	2 011	615	
Employee benefits	6 287	6 627	4 283	4 364	
Equity					
Unrestricted	9 804	16 044	10 996	-	-
Internally restricted	5 225	24 249	74 996	1 171	1 114
Net investments in capital assets	12 351	11 934	11 365	10 275	10 275
Reserved	1 445	5 800	6 477	706	7 655

Notes:

2011-2012 onward is accounted for under International Financial Reporting Standards; prior years are accounted for under Canadian Generally Accepted Accounting Principles.

Certain revenues and expenses were reclassified to conform to the financial presentation for this year.

Certain accounts were reclassified to comply to the financial presentation of this year.

FINANCIAL STATEMENTS

Management Responsibility for Financial Statements

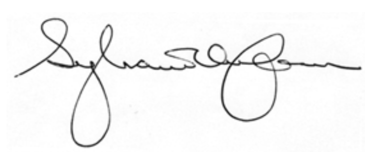
The financial statements presented in this Annual Report are the responsibility of management and have been approved by the Board of Governors. The financial statements have been prepared by management in accordance with International Financial Reporting Standards and, where appropriate, include amounts 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 fulfills 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.

Jean Lebel, PhD
President



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

Ottawa, Canada
24 July 2013

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 statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 audit. I conducted my audit 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 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 2013, and its financial performance and its cash flows for the year then ended 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 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 audit 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, FCPA, FCA
Assistant Auditor General
for the Auditor General of Canada

24 July 2013
Ottawa, Canada

Statement of Financial Position

as at
(in thousands of Canadian dollars)

	31 March 2013	Restated 31 March 2012	Restated 1 April 2011
Assets			
Current			
Cash and cash equivalents (Note 7)	581	9 494	14 235
Investments (Note 8)	50 795	92 199	73 884
Accounts receivable (Note 9)	1 984	30 155	7 143
Prepaid expenses	1 744	1 736	1 572
	55 104	133 584	96 834
Non-current			
Investments (Note 8)	—	11 157	—
Property and equipment (Note 10)	7 423	8 359	9 224
Intangible assets (Note 11)	2 852	3 006	2 710
	65 379	**156 106**	**108 768**
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 12)	25 094	19 237	15 541
Provision for restructuring	292	5 047	—
Deferred revenue (Note 13)	22 862	21 694	22 730
	48 248	45 978	38 271
Non-current			
Deferred revenue (Note 13)	615	2 011	5 843
Employee benefits (Note 14)	4 364	4 283	6 627
	53 227	52 272	50 741
Equity			
Unrestricted	—	10 996	16 044
Internally restricted (Note 17)	1 171	74 996	24 249
Net investments in capital assets (Notes 10, 11, and 17)	10 275	11 365	11 934
Reserved (Note 17)	706	6 477	5 800
	12 152	103 834	58 027
	65 379	**156 106**	**108 768**

Commitments (Note 18)
Contingencies (Note 19)

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

These financial statements were approved for issuance by the Board of Governors on 24 July 2013.

L. Denis Desautels, OC, FCA
Chairperson
Finance and Audit Committee

Jean Lebel, PhD
President

Statement of Comprehensive Income

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

	2013	2012
Revenues		
Donor contributions (Note 15)		
Funding for development research programs	38 592	42 095
Recovery of administrative costs	3 712	4 242
Investment income	1 169	1 251
Other income	574	772
	44 047	48 360
Expenses		
Development research programming (Note 23)		
Research projects		
Funded by Parliamentary appropriation	192 178	128 891
Funded by donor contributions	34 069	36 885
Capacity building		
Enhancing research capabilities (Note 24)	35 798	38 501
Research complements (Note 24)	8 992	9 482
	271 037	213 759
Corporate and administrative services (Note 23)		
Corporate services (Note 24)	17 720	17 497
Regional office administration	4 427	5 552
	22 147	23 049
Total expenses	**293 184**	**236 808**
Cost of operations before Parliamentary appropriation and restructuring costs	(249 137)	(188 448)
Parliamentary appropriation (Note 16)	157 455	239 441
Restructuring costs	—	(5 186)
Net results of operations	**(91 682)**	**45 807**

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)

	2013	Restated 2012
Unrestricted equity		
Beginning of year	10 996	16 044
Net results of operations	(91 682)	45 807
Transfers from (to) reserve and restricted equity	80 686	(50 855)
Balance end of year	—	10 996
Internally restricted equity (Note 17)		
Beginning of year	74 996	24 249
Expenditures incurred	(73 838)	(22 652)
Additions	13	73 399
Balance end of year	1 171	74 996
Net investments in capital assets (Notes 10, 11, and 17)		
Beginning of year	11 365	11 934
Net decrease	(1 090)	(569)
Balance end of year	10 275	11 365
Reserved equity (Note 17)		
Beginning of year	6 477	5 800
Financial planning reserve (decrease) increase	(5 771)	677
Balance end of year	706	6 477
Equity, end of year	**12 152**	**103 834**

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)

	2013	2012
Operating activities		
Net results of operations	(91 682)	45 807
Items not affecting cash		
Provision for restructuring	—	5 047
Amortization and depreciation of property and equipment and intangible assets	1 567	1 862
Amortization of bond premium	1 125	748
Loss (gain) on disposal of property and equipment	571	(37)
Employee benefits	81	(2 344)
	3 344	5 276
Change in non-cash operating items		
Accounts receivable	28 171	(23 012)
Prepaid expenses	(8)	(164)
Accounts payable and accrued liabilities	1 103	3 696
Deferred revenue	(229)	(4 868)
	29 037	(24 348)
Cash flows (used in)/from operating activities	**(59 301)**	**26 735**
Investing activities		
Purchase of investments	(160 796)	(273 493)
Maturity of investments	212 233	243 273
Acquisition of property and equipment and intangible assets	(1 144)	(1 308)
Proceeds from disposition of property and equipment	95	52
Cash flows from/(used in) investing activities	**50 388**	**(31 476)**
Decrease in cash and cash equivalents	**(8 913)**	**(4 741)**
Cash and cash equivalents, beginning of year	**9 494**	**14 235**
Cash and cash equivalents, end of year	**581**	**9 494**
Composition of cash and cash equivalents		
Cash	581	4 502
Cash equivalents	—	4 992
	581	**9 494**

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

Notes to the Financial Statements

For the year ended 31 March 2013

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.

2. Authority and objective

The Centre is funded primarily through an annual appropriation received from the Parliament of Canada. In accordance with section 85(1.1) of the *Financial Administration Act*, the Centre is exempt from Divisions I to IV of Part X of the Act, except for subsection 105(2) and sections 113.1, 119, 131 to 148 and 154.01.

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. These financial statements of the Centre have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are prepared on a historical basis unless otherwise indicated.

These financial statements for the years ended 31 March 2013 and 2012 were approved for public release by the Board of Governors.

4. Summary of significant accounting policies

The significant accounting policies of the Centre are:

a. Revenue recognition

i) Parliamentary appropriation

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 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 appropriations 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

Investment income includes interest revenue accrued and recognized by using the effective interest method.

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 or to other income in situations where the grant account has been closed.

c. Property and equipment, and depreciation

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes any expenditure directly related to the acquisition of the asset and dismantling costs and removing the items and restoring the site on which they are located. All repairs and maintenance expenditures are recognized in the statement of comprehensive income.

Depreciation begins when the asset is available for use by the Centre and is recognized on a straight-line basis. The estimated useful life of each asset category is as follows:

Asset category	Useful life
Computer equipment	5 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 an asset or a group of assets contained in this category is impaired. Any adjustment to the carrying value of the asset is recorded in the statement of comprehensive income. At 31 March 2013, 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, which in the case of internally developed software includes the cost of material, direct labour, and any other costs directly attributable to bringing the asset(s) to a working state for its intended use. 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 ranges from 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 2013, 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. Leases are classified as finance leases whenever the terms for the lease transfer substantially all of the risks and rewards of ownership to the Centre. All other leases are classified as operating leases. The Centre currently has no finance leases. Operating lease payments are recognized as an expense in the statement of comprehensive income over the lease term.

f. Financial instruments

The Centre had 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, including transaction costs directly attributable to the acquisition. Purchases and sales of investments are recorded on the settlement date.

Investments are normally 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 2013, 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 on an ongoing basis to determine whether the Centre has embedded derivatives requiring separate accounting treatment. At 31 March 2013, 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 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 they are paid 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 they are paid and represent the total obligation of the Centre.

iii) Other benefit plans

Severance benefit

Employees were entitled to a voluntary departure severance benefit, as provided for under their conditions of employment. Voluntary severance benefits no longer were accrued as of 30 June 2012, after which, employees with at least one year of service either received their existing accumulated severance benefit as a lump sum payment, chose to receive it when leaving the Centre (upon voluntary resignation or retirement), or a combination of both.

Management determines the accrued obligation for voluntary 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 2013. 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 in that 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 2013. 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, net investments in capital assets 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) Net investments in capital assets

This represents the Centre's net investment in capital assets that will be depreciated or amortized over future accounting periods.

iii) Reserved equity

Variances in regular program spending can have a significant impact on results of operations and consequently on the overall equity balance. The objectives of the Centre's equity reserve are to ensure that a reasonable balance of funds remains available to absorb programming expense overruns, and to fund initiatives extraordinary to normal operations. 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 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

In the process of applying the Centre's accounting policies, apart from those involving estimation, management has concluded that no significant judgments have been made that would have a significant risk of causing a material adjustment.

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 may 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

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.

5. Change in accounting policy

The accounting policy related to the presentation of equity was changed to provide further details on the components of the equity by introducing a new category for investments in capital assets (property, equipment and intangibles). Refer to Note 4.i for the details on the accounting policy.

The change to the policy was adopted 31 March 2013 and has been applied retrospectively. Management believes that the change will provide more transparency on the portion of the Centre's equity that pertains to its investments in capital assets.

The impact of the change in accounting policy on the statement of financial position is the introduction of a new component of equity-net investments in capital assets and a corresponding reduction in the value reported under the reserve.

6. 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. This applies to the Centre's 2013-2014 fiscal year.

New standards relevant to the Centre include:

- *IAS 19 – Employee benefits* – amendments affecting the Centre revolve around providing enhanced disclosure requirements for the defined benefits plan.
- *IFRS 9 – Financial instruments* – incorporates mandatory effective date and transition disclosures effective for annual periods beginning on or after 1 January 2015; however, some amendments contained therein relate to IFRS 13 and become effective on or after 1 January 2013 as noted above.
- *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.

7. Cash and cash equivalents

(in thousands of Canadian dollars)

The Centre's cash equivalents are comprised of money market instruments such as commercial paper, bankers' acceptances, and bearer deposit notes. The weighted average yield as at 31 March 2013 is nil (31 March 2012: 1.18%) and the average term to maturity at the time of purchase is nil (31 March 2012: 90 days). Due to the short-term nature of these investments, the carrying amount is a reasonable approximation of fair value.

	31 March 2013	**31 March 2012**
Cash	581	4 502
Cash equivalents	—	4 992
	581	9 494

8. Investments

(in thousands of Canadian dollars)

The Centre invests in fixed income instruments such as bonds and money market instruments such as commercial paper, bankers' acceptances, and bearer deposit notes. The weighted average yield as at 31 March 2013 is 1.25% (31 March 2012: 1.27%) and the remaining average term to maturity as at 31 March 2013 is 74 days (31 March 2012: 159 days). The carrying amount of investments is a reasonable approximation of their fair value.

	31 March 2013	31 March 2012
Canadian chartered banks	36 813	85 011
Corporations	10 986	13 355
Foreign chartered banks	2 996	4 990
	50 795	103 356

	31 March 2013	31 March 2012
Current	50 795	92 199
Non-current	—	11 157
	50 795	103 356

9. 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 and is not considered by management to present a significant credit risk.

	31 March 2013	31 March 2012
Other	1 933	2 318
Donor contributions	51	337
Parliamentary appropriation	—	27 500
	1 984	30 155

The Centre did not identify any receivables that are either past due or impaired as at 31 March 2013 (31 March 2012: nil).

10. Property and equipment

(in thousands of Canadian dollars)

	Computer equipment	Office furniture & equipment	Vehicles	Communication systems	Leasehold improvements	Total
Cost						
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
Additions	66	64	—	77	582	789
Disposals	(355)	(254)	(481)	—	(1 234)	(2 324)
at 31 March 2013	2 283	915	362	1 316	10 831	15 707
Depreciation						
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)
Depreciation for the year	(117)	(83)	(85)	(43)	(730)	(1 058)
Disposals	350	213	423	—	671	1 657
at 31 March 2013	(1 929)	(789)	(268)	(1 224)	(4 074)	(8 284)
Net book value						
at 31 March 2011	449	294	218	200	8 063	9 224
at 31 March 2012	410	186	237	58	7 468	8 359
at 31 March 2013	354	126	94	92	6 757	7 423

11. Intangible assets

(in thousands of Canadian dollars)

	Internally developed software	Purchased software	Total
Cost			
at 31 March 2011	7 760	1 522	9 282
Additions	715	—	715
Disposals	—	—	—
at 31 March 2012	8 475	1 522	9 997
Additions	261	94	355
Disposals	—	(58)	(58)
at 31 March 2013	8 736	1 558	10 294
Amortization			
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)
Amortization for the year	(383)	(126)	(509)
Disposals	—	58	58
at 31 March 2013	(6 064)	(1 378)	(7 442)
Net book value			
at 31 March 2011	2 345	365	2 710
at 31 March 2012	2 794	212	3 006
at 31 March 2013	2 672	180	2 852

12. Accounts payable and accrued liabilities

(in thousands of Canadian dollars)

Accounts payable and accrued liabilities are incurred in the normal course of operations. 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 2013	31 March 2012
Accounts payable	6 176	8 736
Payroll	4 021	3 851
Grant accruals	14 271	2 482
Severance benefit (Note 14)	195	3 717
Other	431	451
	25 094	19 237

13. 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 programs

	31 March 2013	31 March 2012
Current	22 335	20 178
Non-current	615	1 768
	22 950	21 946

Of the total deferred donor contribution funding, the Canadian International Development Agency accounts for $8 383 (31 March 2012: $8 948) of which $8 349 (31 March 2012: $8 875) was received during the year and $34 (31 March 2012: $73) is receivable at year-end.

b. Parliamentary appropriations – projects and programs

	31 March 2013	31 March 2012
Current	527	1 516
Non-current	—	243
	527	1 759

c. Total deferred revenues (sum of the above)

	31 March 2013	31 March 2012
Current	22 862	21 694
Non-current	615	2 011
	23 477	23 705

14. 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 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 11.05% (31 March 2012: 11.34%). Total contributions of $4 101 (31 March 2012: $3 937) 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 each Plan Agreement. The Centre's contributions to these plans for the year ended 31 March 2013 were $438 (31 March 2012: $493).

c. Severance benefit

In previous years, the Centre provided a voluntary departure severance benefit to its employees based on years of service and final salary. A number of employees have chosen to receive their accumulated severance benefit only upon departure from the Centre (upon voluntary resignation or retirement). 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 2013	31 March 2012
Accrued benefit obligation – beginning of year	8 000	6 986
Current service cost	758	1 156
Interest cost	121	219
Benefits paid during the year	(4 145)	(550)
Actuarial (gain) loss	(175)	189
Accrued benefit obligation – end of year	4 559	8 000
Current	195	3 717
Non-current	4 364	4 283
	4 559	8 000

Significant actuarial assumptions used to determine the benefit cost:

Discount rate	2.00%	2.15%
Rate of compensation increase	3.20%	3.20%

15. Donor contributions

(in thousands of Canadian dollars)

Donor contribution funding for development research programs 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 2013	31 March 2012
Canadian International Development Agency	17 665	18 917
William and Flora Hewlett Foundation	7 388	6 224
Bill & Melinda Gates Foundation	7 142	6 182
Department for International Development (UK)	3 783	6 831
Other donor agencies	2 599	3 804
Other Government of Canada entities	15	137
	38 592	42 095

The Centre recovers administrative costs from the management of donor contribution funding. The total recovery for the year ended 31 March 2013 was $3 712 (31 March 2012: $4 242) of which $1 573 (31 March 2012: $1 692) was from CIDA.

16. Parliamentary appropriation

(in thousands of Canadian dollars)

	31 March 2013	31 March 2012
Approved Parliamentary appropriation	241 646	237 907
Re-profiled, unused, and lapsed appropriations	(79 209)	—
Frozen allotment	(6 214)	—
Amortization of deferred Parliamentary appropriation – projects and programs	1 232	1 534
Parliamentary appropriation recognized in the statement of comprehensive income	157 455	239 441

17. Equity

(in thousands of Canadian dollars)

a. Internally restricted

	31 March 2013				31 March 2012
	Opening	Received and internally restricted	Expended or lapsed	Closing value	Closing value
African Adaptation Research Centres	5 930	—	(5 930)	—	5 930
Development Innovation Fund	39 767	—	(39 767)	—	39 767
Adaptation Measures to Climate Change	27 500	—	(27 500)	—	27 500
Other	1 799	13	(641)	1 171	1 799
Total	74 996	13	(73 838)	1 171	74 996

The African Adaptation Research Centres (AARC) initiative helped 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. The restricted amount was expended except $0.2 million which was lapsed.

A portion of the Parliamentary appropriation was also internally restricted by management to finance the Development Innovation Fund (DIF). 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 had 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. The restricted amount was fully expended. The federal government re-profiled the timing for future funding of the DIF in a way that matches expected disbursements, which should eliminate the need for year-end carry-over through equity.

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 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 (AMCC) program recipients took place in 2012-2013. The restricted amount was expended except $2.0 million which was lapsed.

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.

In 2011-2012, 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 Budget 2012: Economic Action Plan reductions. To date, $0.6 million has been expended; the balance is expected to be fully drawn down by the second quarter of 2013-2014.

b. Net investments in capital assets

Net investments represent the unamortized balance of property, equipment and intangible assets. See Notes 10 and 11.

c. Reserved

Due to a significant increase in Development Research Program expenses during the year, the balance of the reserve closed at $706 (31 March 2012: $6 477). The reserve will be replenished during 2013-2014 to ensure that the Centre is appropriately capitalized to accommodate a future variance.

18. Commitments

a. Program-related

(in thousands of Canadian dollars)

The Centre is committed to making payments of up to $361.7 million (31 March 2012: $454.0 million) during the next five years, subject to funds being provided by Parliament or donors and subject to compliance by recipients with the terms and conditions of grant agreements. Of this amount, $294.4 million (31 March 2012: $359.7 million) is expected to be funded from future Parliamentary appropriations and the balance of $67.3 million (31 March 2012: $94.3 million) by donor contribution agreements.

	31 March 2013	31 March 2012
Within one year	130 510	154 563
After one year, but not more than five	231 165	299 410
Total future payments	361 675	453 973

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 2013 are as follows:

	31 March 2013	31 March 2012
Within one year	7 395	7 082
After one year, but not more than five	30 712	29 720
More than five years	38 116	46 092
Total future payments	76 223	82 894

The operating net lease expense recognized in the statement of comprehensive income for fiscal year ended 31 March 2013 is $6 964 (31 March 2012: $7 563).

19. 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.

20. 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. Any transactions are recorded at their exchange amounts, which are determined to approximate fair value.

Related party transactions are disclosed in Notes 9, 13, and 15 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 2013	31 March 2012
Salaries and short-term benefits	1 294	1 235
Post-employment benefits	293	317
	1 587	1 552

21. 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 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 minimally acceptable counterparty credit rating pertaining to investments. Investments in financial institutions and corporations must have minimum ratings from two external rating agencies that are equivalent to DBRS ratings for short-term instruments of R1-L for governments and Schedule I banks and R1-M for Schedule II banks and corporations. DBRS ratings for medium/long-term instruments must hold a minimum rating of A for governments, AA for Schedule I banks, AA (High) for Schedule II banks, and AAA for corporations. The Centre regularly reviews the credit ratings of issuers with whom the Centre holds investments and confers with the Finance and Audit Committee of the Board of Governors when the issuer's credit rating declines below the policy guidelines. The investment policy is reviewed and approved as required by the Finance and Audit Committee of the Board of Governors. 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 exposure to credit risk is summarized as follows:

	DBRS rating	31 March 2013	31 March 2012
Canadian chartered banks	R1-L	36 813	85 011
Corporations	R1-M	10 986	13 355
Foreign chartered banks	R1-M	2 996	4 990
		50 795	103 356

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 local operating costs of four regional offices throughout the world. The Centre does not hedge its regional office expenses against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations which are not considered to be significant.

The Centre has multi-year contribution agreements with non-Canadian donors which are denominated in currencies other than the Canadian dollar. When progress payments are received from those donors, they are translated to Canadian dollars at the weekly exchange rate (see Note 4g). In turn, the Centre incurs expenses and issues multi-year grant agreements 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. The magnitude of the funding set aside is gauged against actual currency 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 does not hedge its foreign currency revenues against fluctuations in foreign exchange rates and accepts the operational and financial risks associated with any such fluctuations which, on a fiscal year basis, are not considered to be significant.

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 corporate treasury function 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.

22. Capital management

The Centre defines its capital as the balances of equity comprised of unrestricted, internally restricted, and reserved. 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.

23. Schedule of expenses

(in thousands of Canadian dollars)

	31 March 2013	31 March 2012
Development research programming		
Contributions to research projects	221 666	159 794
Core salaries and benefits	27 722	28 463
In-house project salaries and benefits[a]	5 011	6 793
Professional services	4 016	4 135
Accommodations	3 795	3 941
Travel	3 712	4 407
Amortization and depreciation	978	1 178
In-house project expenses[a]	1 891	2 278
Other	2 246	2 770
	271 037	213 759
Corporate and administrative services		
Salaries and benefits	14 074	14 625
Accommodations	2 788	2 756
Professional services	1 102	1 075
Office supplies and expenses	1 021	950
Furniture, equipment, and maintenance	734	832
Amortization and depreciation	589	684
Travel	544	622
Other	1 295	1 505
	22 147	23 049
Total expenses	293 184	236 808

[a] In house projects include the Centre-administered portions of projects funded for a finite period of time, over and above ordinary operations. They represent total expenses of $6 902 (31 March 2012: $9 071).

24. Reclassification

(in thousands of Canadian dollars)

On the statement of comprehensive income, two lines were combined for the purpose of clarifying funding attribution and streamlining current reporting. Enhancing research capabilities now captures capacity-building expenditures funded by both Parliamentary appropriation and donor contributions (directly and indirectly). The Centre also reclassified expenses of $522 (31 March 2012: $545) from Corporate Services to Research Complements in connection with a unit that was restructured and refocused during the last year.

	31 March 2013	31 March 2012
Previous presentation method		
Development research programming		
Research projects		
Funded by Parliamentary appropriation	192 178	128 891
Funded by donor contributions	34 069	36 885
Capacity building		
Funded by Parliamentary appropriation	31 276	33 291
Funded by donor contributions	4 522	5 210
Research complements	8 470	8 937
	270 515	213 214
Corporate and administrative services		
Corporate services	18 242	18 042
Regional office administration	4 427	5 552
	22 669	23 594
Total expenses	**293 184**	**236 808**

	31 March 2013	31 March 2012
Reclassified		
Development research programming		
Research projects		
Funded by Parliamentary appropriation	192 178	128 891
Funded by donor contributions	34 069	36 885
Capacity building		
Enhancing research capabilities	35 798	38 501
Research complements	8 992	9 482
	271 037	213 759
Corporate and administrative services		
Corporate services	17 720	17 497
Regional office administration	4 427	5 552
	22 147	23 049
Total expenses	**293 184**	**236 808**

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