# Management's discussion and analysis



A boy stands on the dead stump of a palm tree on Ghoramara Island, Sunderbans, India. Rising sea levels are destroying homes and livelihoods in this region of the Bay of Bengal.

ROBIN HAMMOND/PANOS

# Core business

As a Crown corporation and part of Canada's global affairs and development efforts, IDRC invests in high-quality research in developing countries, shares knowledge with researchers and policymakers for greater uptake and use, and mobilizes global alliances to build a more sustainable and inclusive world.

IDRC's work is directed by the *International Development Research Centre Act* (1970), which aims "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."

In carrying out its mandate, the Centre:

- provides financial support to researchers in developing countries to address domestic development challenges and contribute to broader global solutions;
- facilitates the use and uptake of research, and encourages dialogue and learning between researchers, policymakers and private sector actors;
- synthesizes and shares results from across its research investments to inform local, regional and global agendas; and
- engages, convenes and collaborates with research organizations and funding partners throughout the innovation process.

IDRC receives funding through a parliamentary appropriation from the Government of Canada to carry out its mandate. These funds, combined with donor contributions, enable the Centre to achieve its mission and objectives.

IDRC's activities are guided by Strategy 2030 — a bold and ambitious agenda that affirms the Centre's commitment to support more sustainable and inclusive societies in the developing world. IDRC does this by:

- investing in high-quality research and innovation,
- sharing knowledge to inform local and global action, and
- mobilizing global alliances for impact.

The Centre recognizes that collaboration and networks are key to development impact. IDRC contributes to major Canadian government initiatives and delivers on Canada's international assistance priorities. The Centre works closely with Global Affairs Canada and regularly collaborates with other Government of Canada organizations, such as Canada's research granting councils, to help achieve common objectives related to international assistance priorities.

**At 31 March 2023, IDRC had 39 active donor contribution agreements with 16 donors. The value of the donor contributions was $592.1 million.**

IDRC's approach to partnering is focused on collaborating with a wide variety of organizations, including government agencies, granting councils, the private sector and philanthropic foundations. This approach seeks to mobilize alliances that increase contributions in research for development and broaden the reach of research results, increase financial resources for research institutions, and bring innovations to scale to address the needs of developing countries.

**For active grant recipients at 31 March 2023, the average grant is $656 817 for an average duration of 36.6 months.**

IDRC follows a robust process to select funding recipients. Proposals are assessed by experts based on scientific merit, development impact and risks. Complex projects often involve multiple grantee institutions, and each recipient institution must sign a grant agreement that provides the terms and conditions of funding. A risk assessment process that looks at the administrative and financial capacity of grantee institutions is followed for all recipients. The release of funds to grantees is based on progress toward research activities and validated through satisfactory technical and financial reports.

IDRC's Gender Equality and Inclusion Programming Framework (GEIPF), introduced in 2021, seeks to ensure that gender equality and inclusion (GEI) is promoted intentionally and systematically across IDRC. The GEIPF is being operationalized through the consultative development and socialization of technical tools, knowledge-exchange platforms and capacity-strengthening resources. Examples include a multilingual GEI Glossary of Terms, containing concise definitions applicable to IDRC programs and grantees; a GEI Learning Hub consolidating available information, tools and training; and a GEI Community of Practice to support knowledge exchange, networking and learning.

The Centre's advisory and knowledge-sharing functions are central to its business and overall corporate performance, in accordance with IDRC's mandate as established in the *International Development Research Centre Act*. Knowledge-sharing functions also strengthen the research capabilities of research grant recipients. This component of IDRC's work forms part of its value to recipients and distinguishes the Centre from other development assistance funders. IDRC believes that, where possible, providing local support to enhance research capabilities is best. As such, the employees in the Centre's five regional offices collaborate with research institutions in the Global South to advance initiatives.

# Corporate governance

## The Board of Governors

The Board of Governors is responsible for the stewardship of the Centre. It provides strategic guidance to management and oversees the activities of the Centre. The board acts and conducts its business in accordance with the *IDRC Act*, the IDRC General By-Law and within a governance framework based on other applicable legal rules, policies and governance best practices. The board's charter details the roles, responsibilities, authorities and governance practices of the Board of Governors and its committees.

In carrying out its responsibilities, the Board of Governors does so in accordance with the highest standards of ethics, integrity, transparency and professionalism. The standards of conduct for governors in carrying out their responsibilities and the exercise of their function are defined in the *IDRC Board Code of Conduc*t, which members acknowledge on an annual basis. In accordance with the *IDRC Board Conflict of Interest Guidelines*, board members must declare any potential conflict of interest at the beginning of each meeting.

## Membership

The composition of the Board of Governors is defined within the *IDRC Act*.

The *IDRC Act* stipulates that a majority of board members must be Canadian. The board's international composition is important to the Centre. This enables the board to have a viewpoint on the issues and needs of people and communities in the developing world, thereby supporting the continued relevance of the Centre's programs to the developing world.

The chairperson and the president are appointed by the Governor in Council to hold office for terms of up to five years. All other governors are appointed for terms of up to four years. Governors are appointed by the Governor in Council following an open, transparent and merit-based selection process.

## IDRC's Board of Governors

(as at 31 March 2023)

DOROTHY NYAMBI
Chairperson
Ancaster, Ontario

CHANDRA MADRAMOOTOO
Vice-Chairperson
Montreal, Québec

JEAN LEBEL
President
Ottawa, Ontario

AKWASI AIDOO
Gastonia, North Carolina, USA

ALEX AWITI
Nairobi, Kenya

SOPHIE D'AMOURS
Quebec City, Québec

PURNIMA MANE
San Mateo, California, USA

NURJEHAN MAWANI
Vancouver, British Columbia

BESSMA MOMANI
Kitchener, Ontario

GILLES RIVARD
Mont-Tremblant, Québec

HILARY ROSE
Sherwood Park, Alberta

STEPHEN TOOPE
Toronto, Ontario

## Former governors who served during the reporting period:

MARGARET BIGGS (term ended 9 June 2022)
Ottawa, Ontario

MARY ANNE CHAMBERS (term ended 9 June 2022)
Thornhill, Ontario

JOHN MCARTHUR (term ended 9 June 2022)
Vancouver, British Columbia and Washington, DC, USA

## Function of the board

The board held five meetings in 2022–2023.

The board functions through standing committees. Each committee has its own terms of reference and serves to address issues that require specific expertise. This structure allows for detailed advice to be provided to the entire board on decision points concerning respective committees' areas of competence.

## IDRC has four board committees

(as at 31 March 2023)

The **Executive Committee** (convened five times in 2022–2023) ensures that the business of the board is carried out between meetings as necessary. It is also responsible to ensure that the board has a sound approach to corporate governance and is functioning effectively.

The **Finance and Audit Committee** (convened five times in 2022–2023) provides oversight responsibilities with respect to financial management and reporting, internal and external audit, risk management and internal controls, and standards for integrity and behaviour.

The **Strategy, Program Performance and Learning Committee** (convened five times in 2022–2023) supports the board in fulfilling its oversight and foresight responsibilities with respect to strategic and annual planning, and performance monitoring.

The **Human Resources Committee** (convened three times in 2022–2023) supports the board in fulfilling responsibilities with respect to the application of sound human resource policies and practices that support the Centre's mission and mandate.

## Compensation

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

- per diem range for board chairperson and governors is $360–$420
- annual retainer range for committee chairpersons is $4,600–$5,400
- annual retainer range for the chairperson is $9,200–$10,800

## Centre Executives (as at 31 March 2023)

JEAN LEBEL, President

JULIE SHOULDICE, Vice-President, Strategy, Regions and Policy

DOMINIQUE CHARRON, Vice-President, Programs and Partnerships

GENEVIÈVE LEGUERRIER, Vice-President, Resources, and Chief Financial Officer

## Regional Directors (as at 31 March 2023)

KAPIL KAPOOR
Asia Regional Office

JULIE CROWLEY
Central and West Africa Regional Office

FEDERICO BURONE
Latin America and Caribbean Regional Office

MARWAN OWAYGEN (Acting)
Middle East and North Africa Regional Office

KATHRYN TOURE
Eastern and Southern Africa Regional Office

## IDRC's commitment to transparency and accountability

IDRC is accountable to Parliament and all Canadians for its use of public resources.

IDRC is committed to transparency and, as such, provides information on its website and in its publications, reports to Parliament, and conducts public outreach programs. As a research organization, IDRC also maintains transparency with the research community and the general public by making the results of its projects (studies, papers, articles, etc.) available to all.

Below are some of the measures in place that help the Centre meet the standards set by the Government of Canada for accountability and transparency.

**Government**

- Parliamentary Committee appearances (when requested)
- Proactive grant recipient screening to adhere to Canada's legislative measures on trade and economic sanctions and terrorists and terrorist groups

**Public**

- Strategic Plan
- Annual public meeting
- Disclosure of travel and hospitality expenses of senior executives and board
- IDRC Digital Library, including:
  - Open access to information on IDRC-funded research projects
  - IDRC programming evaluations
- Free IDRC published/co-published books


**Policies and Practices**

- IDRC's equality statement
- Code of conduct
- Leadership charter
- Diversity, equity, and inclusion
- Mental health and workplace well-being

**Regulatory Reports**

- Annual reports pursuant to:
  - *Public Servants Disclosure Protection Act*
  - *Canadian Multiculturalism Act*
  - *Employment Equity Act*
  - *Official Languages Act*
  - *Access to Information Act*
  - *Privacy Act*

**Risk Management and Audit**

- Integrated risk management approach
- Internal Audit aligned with leading practices
- Office of the Auditor General
  - Annual Attest Audit
  - Special Examinations

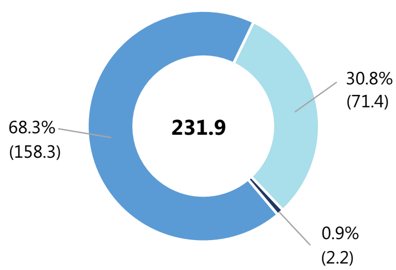
**Corporate Reports**

- Annual Report
- Quarterly Financial Reports
- Contributions to:
  - Statistics Canada reporting on social and natural science expenses
  - The International Aid Transparency Initiative
  - *Official Development Assistance Accountability Act*
- Public Accounts of Canada

## Financial resources

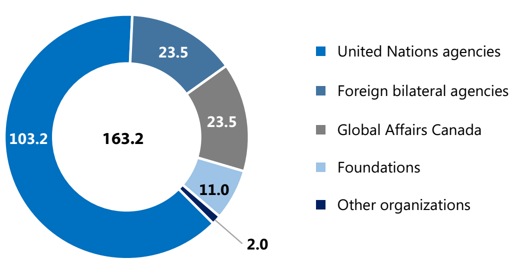
The Centre derives the majority of revenues from a parliamentary appropriation and from donor contributions received pursuant to co-funding agreements. The parliamentary appropriation is the most significant and allows the Centre to deliver its mandate. It includes a recurring portion and a non-recurring portion that fluctuates as parliamentary transfers are agreed upon with other federal government organizations. The total amount of the parliamentary appropriation recognized for 2022–2023 was $158.3 million, which represents 68.3% of IDRC's revenues.

2022–2023 Revenue by source ($ millions)



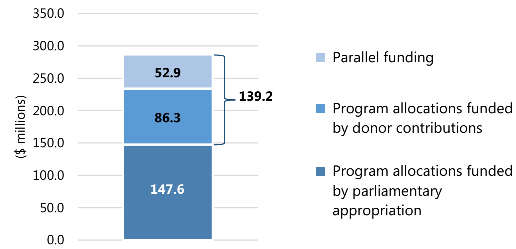

Contributions arising from co-funding agreements are accounted for as donor contribution revenues. In 2022–2023, the value of signed multi-year co-funding agreements was $163.2 million.

2022–2023 Co-funding agreements by donor type
($ millions)




The Centre also combines its efforts with those of other funders who work directly with recipients to increase support to IDRC-funded projects (referred to as parallel funding). In 2022–2023, $52.9 million of parallel funding was generated, bringing total external contributions to IDRC-funded projects to $139.2 million.

2022–2023 Total contributions to IDRC-funded projects




### Financial accountability and sound financial management

IDRC has a solid financial management framework that ensures proper stewardship of funds. From the preparation of a rigorous budget to regular monitoring and analysis of financial results and continuous forecasting, the framework ensures that financial resources are used for their intended purpose and contribute to achieving the Centre's mission and vision.

Management monitors key financial indicators and variables that impact the level of resources available for research in future years, including outstanding commitments, expenditure patterns on new projects and the level of administrative expenses. Tracking these indicators ensures that financial management and planning is exercised with the utmost prudence and diligence of public funds while achieving IDRC's goal of being a fit for purpose organization.

## Sustainable and inclusive organization

### Environmental, Social and Governance

As part of Strategy 2030, IDRC made a strong commitment to being a sustainable and inclusive organization. This commitment is at the root of Environmental, Social and Governance (ESG) considerations.

IDRC is releasing its first stand-alone ESG report for the 2022-2023 financial year. The report, published on the Centre's website, outlines progress towards implementing its ESG framework, as well as a roadmap for how it will further implement ESG considerations in future years.

### Diversity, Equity and Inclusion

Diversity, equity and inclusion (DEI) are embedded in IDRC's operations.

In late 2022, the Centre conducted its annual anonymous diversity census to help establish the baseline from which IDRC can assess its diversity as well as future needs.

### Workforce diversity

- 66.1% women
- 27.3% members of visible minorities
- 1.3% Indigenous
- 3.1% person with disabilities

(as at 31 December 2022; as per reporting to Labour Program of Employment and Social Development Canada, only Ottawa-hired staff positions are included.)

IDRC's employees, senior management and the Board of Governors participated in training and seminars that focused on key aspects of DEI such as recognizing unconscious bias and inclusive leadership.

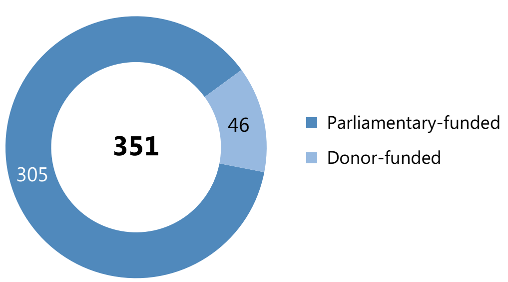
Following the adoption of Strategy 2030 and to ensure the Centre has the culture and values in place to successfully deliver on the strategy, IDRC updated its Culture and Values Statements, which were developed with input from employees. The new Culture and Values Statements affirm IDRC's ambition to achieve a more sustainable and inclusive world respecting all individuals; to be intentional in its actions and accountable in its work and relationships.

The *Accessible Canada Act (ACA)* requires organizations, including Crown corporations, to develop a plan using a proactive and systematic approach to ensure that Canadians with disabilities can fully participate in all sectors of life. IDRC's *Accessibility Plan* is available on the Centre's public website and will be implemented over a period of three years.

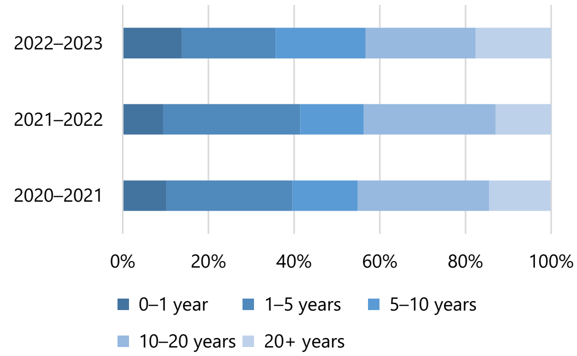
### Focus on people and talent

IDRC's success relies on employing a workforce that is committed, innovative and engaged. The Centre actively nurtures a healthy and effective workplace that provides employees with opportunities to build the expertise, skills and capacities they need to excel.

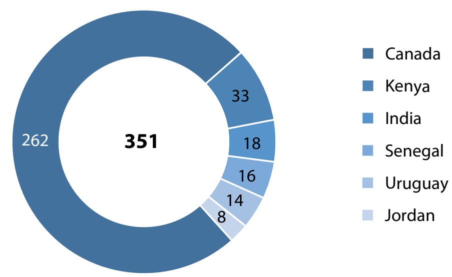
IDRC's workforce by funding source




Years of service

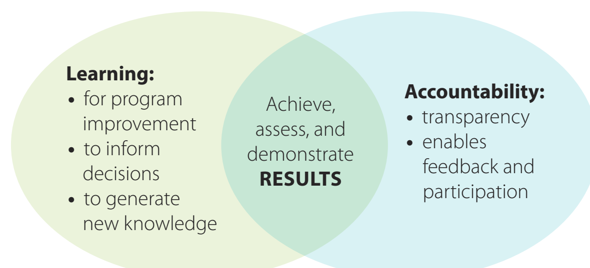



IDRC's workforce by location




### Monitoring, evaluation and learning

IDRC uses monitoring, evaluation and learning to assess and demonstrate results, to learn how research contributes to development, to inform decisions and to meet accountability requirements.




The Centre engaged in several key monitoring, evaluation and learning initiatives in 2022-2023. As a steward for research and innovation, IDRC believes the way research is evaluated is important for ensuring that it is a positive force for change in the world.

## Risk management

The Centre is committed to implementing a continuous, proactive, systematic and integrated approach to risk management. The ultimate purpose of IDRC's risk management is the creation and protection of value.

IDRC's risk-management processes and practices are based on guidelines published by international bodies that foster sound and prudent risk-management practices, the International Standards Organization (ISO 31000:2018) and Committee of Sponsoring Organizations (COSO 2017), but tailored to the Centre's specific environment. They are designed to identify potential risks, both opportunities and threats, that may enhance or hinder the achievement of established objectives, and to manage these risks within acceptable levels.

IDRC's broad mandate, international network and the complex environments in which the Centre operates expose it to a wide range of risks. IDRC applies various controls and strategies to manage risk and uses a three-line model for its internal control framework.

- First line: **Operational management** – Management is responsible for establishing and maintaining effective internal controls and executing risk and control procedures on a day-to-day basis.
- Second line: **Risk management** – Risk management provides leading expertise, complementary support, monitoring and a challenge function related to the management of risks.
- Third line: **Internal audit** – The internal audit function provides independent assurance on the adequacy and effectiveness of governance, risk management and internal control to management and the board.

To ensure effective management of risks, risk management principles, practices and accountabilities are integrated at all levels and across the Centre.

The table that follows lists key corporate risks that were identified through a comprehensive risk assessment and discussed by the Board of Governors in March 2023. The evolution of IDRC's risk exposure is monitored throughout the year and, as required, risks are escalated for additional review and action.

| KEY CORPORATE RISKS | RISK RESPONSES |
| --- | --- |
| RISK 1: CYBERSECURITY<br>Given the prevailing cybersecurity threat, there is a risk that IDRC data and information may be compromised or lost, which could cause operational and reputational harm. | Cyber-attacks are increasingly directed at government institutions and research-oriented organizations. To protect the Centre, several comprehensive measures have been implemented, resulting in the improvement of IDRC's overall cybersecurity posture. Due to constant changes in the cybersecurity technological landscape, controls and mitigations are consistently monitored and updated. |
| RISK 2: FUNDING<br>Given the uncertainty in the funding landscape, primarily with respect to donor contributions, and considering pressures on federal government spending, there is a risk that decreased funding will reduce IDRC's ability to deliver on its strategic objectives and achieve impact. | IDRC funding allows the Centre to deliver on its mandate, achieve its strategic objectives and scale impact in developing regions. Recent changes in the funding landscape have an impact on securing revenue to scale programming. In addition, financial austerity measures can further exacerbate IDRC's funding situation. A concerted effort is made to minimize the impact of changes in the funding landscape, which includes having contingency plans in place while new funding possibilities are being pursued. |
| RISK 3: WELLBEING<br>Given the external environment, if the safety and security of staff are not ensured, and their emotional and mental health is not adequately supported, there is a risk that their wellbeing, morale and the overall productivity of the organization will be affected. | A healthy and engaged workforce is integral to the success of IDRC. The prolonged uncertainty in the external environment and ongoing organizational change may continue to impact staff's overall wellbeing. In addition, the risk of staff safety and/or security incidents—particularly in countries with fragile contexts—increases, which calls for precautionary measures to be in place. Ongoing measures include implementing adequate policies and proactively training on travel security and offering flexibility in work arrangements for a better work-life balance, along with various other forms of assistance in support of wellbeing. |

| KEY CORPORATE RISKS | RISK RESPONSES |
| --- | --- |
| RISK 4: CAPACITIES<br>Given the competitive labour market, if IDRC is not successful in attracting, developing and retaining talent, there is a risk that the Centre's ability to deliver on strategic objectives will be impacted. | As the marketplace presents a variety of opportunities, external candidates are very selective of where they want to work. Recognizing this challenge, particular attention is paid to transition planning and timely onboarding of new employees. Ongoing mitigating measures in a competitive labour market include modernizing job advertising using recruitment firms for areas where recruitment difficulties exist and presenting development opportunities to retain and promote talent. |
| RISK 5: ORGANIZATIONAL CHANGE<br>Given the change processes that are underway to deliver on Strategy 2030 and improve the effectiveness of IDRC, there is a risk that ongoing multiple change initiatives, if not sufficiently prioritized and coordinated, will cause organization-wide fatigue and under-achievement of change objectives. | IDRC is undertaking several change initiatives to implement Strategy 2030 and optimize overall organizational effectiveness. The success of organizational change is therefore dependent on a consistent and coordinated approach to managing the impact of change. Ongoing controls include proper oversight, planning, coordination and adaptation, ongoing prioritization of the change agenda and effective internal communications. |

### Internal audit

Internal audit is a key element of IDRC's accountability structure. Its purpose is to enhance and protect organizational value by providing risk-based and independent assurance, advice and insight. This is accomplished by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes which support management's efforts in the achievement of the Centre's mission and strategic objectives. The purpose, authority and independence, responsibilities, scope of work and professional standards for internal audit are defined in the board-approved Internal Audit Charter, published on IDRC's website.

## Results and outlook

### Performance indicators

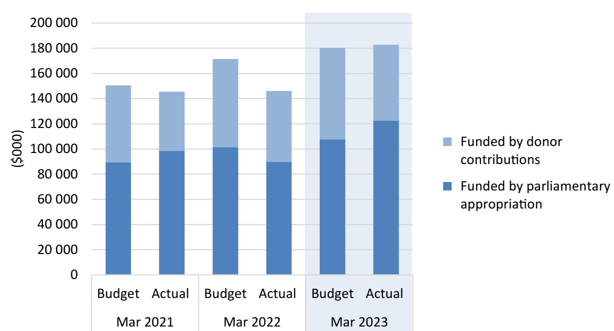
Performance indicators allow the Centre to monitor its performance and identify areas where corrective measures must be taken when appropriate. IDRC uses a robust set of performance indicators to ensure the Centre is on track to meet its vision and objectives as outlined in Strategy 2030.

### Research project expenses compared to budget

Research project expenses are carefully monitored, given they represent IDRC's largest expense and are the primary means by which IDRC fulfills its mandate. At 31 March 2023, $182.8 million or 101.4% of the overall research project expenses budget of $180.3 million was achieved.

The higher expenses are primarily due to parliamentary appropriation that was received during the financial year to support a vaccine clinical trial against the Sudan Ebolavirus and consequently was not budgeted (see Figure 1).

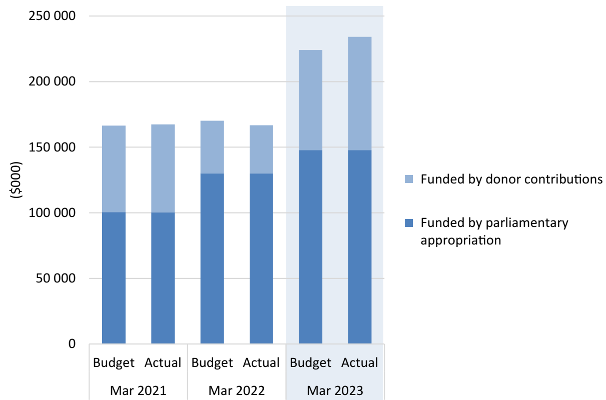
**FIGURE 1:** RESEARCH PROJECT EXPENSES




### Program allocations

Program allocations represent funds approved for new research projects with disbursements over the project duration. Allocations can be funded by parliamentary appropriation alone or through a combination of parliamentary appropriation and donor contributions. The overall allocations funded by parliamentary appropriation of $147.9 million are in line with the budget of $147.8 million. Allocations funded by donor contributions of $86.3 million are above the budget of $76.2 million at 31 March 2023 due to a large, donor-funded project that was signed late in 2021–2022, which delayed the allocations to 2022–2023 (see Figure 2).

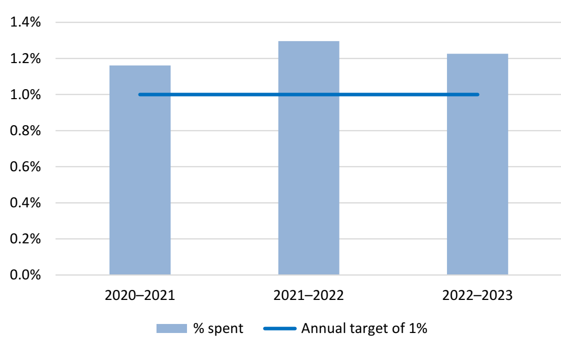
**FIGURE 2:** PROGRAM ALLOCATIONS




### Investment in learning and professional development

IDRC requires highly skilled employees to undertake the work required to deliver on its mandate. Therefore, it is important that the Centre continually invests in learning and development to ensure employees develop and maintain the skills required for IDRC to succeed in a rapidly changing world. The Centre invested 1.2% of its payroll in employee learning and professional development during the year ended 31 March 2023, higher than the target of 1.0%. The costs are above budget given the need to keep up with rapid technological changes and build new skills to respond to changes in IDRC's operating environment (see figure 3).

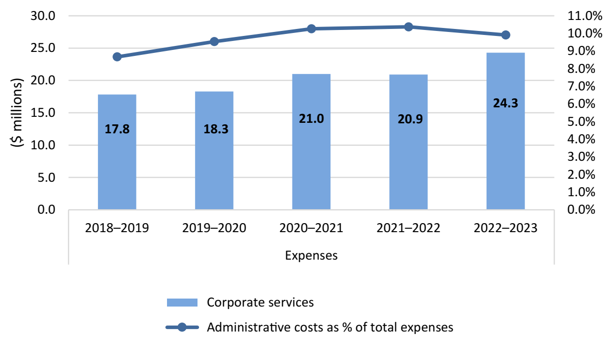
**FIGURE 3:** LEARNING AND PROFESSIONAL DEVELOPMENT




### Corporate and administrative expense ratio

IDRC continuously ensures that the majority of funds received go towards directly fulfilling its mandate. Consequently, IDRC monitors its corporate and administrative expense ratio (i.e., corporate and administrative expenses as a % of total expenses) in order to ensure it is operating efficiently and providing maximum value to taxpayers and external donors. The actual corporate and administrative expenses increased in 2022–2023 primarily due to one-time expenses for the design and fit-up of the Centre's new head office space. The percentage of corporate and administrative expenses for the year ending 31 March 2023 decreased to 9.9%, as a result of higher overall expenses than in previous years (primarily research project expenses). IDRC's corporate and administrative expenses are within the desired target range of 8% to 11% (see Figure 4).

**FIGURE 4:** CORPORATE AND ADMINISTRATIVE EXPENSES RATIO




## Overall financial summary

The 2022–2023 financial year was a year of growth as IDRC received increased revenues from both non-recurring parliamentary appropriations and donor contributions. These funds were used to invest in high-quality research in developing countries, thereby building a more sustainable and inclusive world. This was all done in the context of the head office relocation. The operating deficit was planned and was funded through unrestricted equity and reserved equity.

**Expenses of $245.2 million**
($201.7 million in 2021–2022)

**Revenues of $231.9 million**
($216.2 million in 2021–2022)

**TABLE 1:** SUMMARY OF EXPENSES AND REVENUES

| ($000) | 2022–2023 Actual | 2021–2022 Actual | $ change actual [a] | % change actual [a] | |
|---|---|---|---|---|---|
| **Development research programming** | | | | | |
| Research projects funded by parliamentary appropriation | 122 495 | 89 910 | 32 585 | 36.2% | 1 |
| Research projects funded by donor contributions | 60 315 | 56 158 | 4 157 | 7.4% | 2 |
| Enhancing research capabilities | 38 130 | 34 689 | 3 441 | 9.9% | 3 |
| | **220 940** | **180 757** | **40 183** | **22.2%** | |
| **Corporate and administrative services** | **24 300** | **20 925** | **3 375** | **16.1%** | 4 |
| **Total expenses** | **245 240** | **201 682** | **43 558** | **21.6%** | |
| **Total revenues** | **231 884** | **216 161** | **15 723** | **7.3%** | 5 |
| **Net results of operations** | **(13 356)** | **14 479** | **(27 835)** | **(192.2%)** | |

[a] $ and % change actual in 2022–2023 over 2021–2022.

**Variances**

| | | |
|---|---|---|
| 1 | Research projects funded by parliamentary appropriation | **Year-over-year increase** relates to research activities picking up and greater program allocations being made in the 2022–2023 financial year as compared to last year. |
| 2 | Research projects funded by donor contributions | **Year-over-year increase** of $4.2 million is due to increased program allocations and programming activities on new donor agreements ramping up in the 2022–2023 financial year. |
| 3 | Enhancing research capabilities | **Year-over-year increase** of $3.4 million is primarily due to one-time purchases of furniture and technological equipment for the new head office space and the gradual resumption of travel activities. |
| 4 | Corporate and administrative services | **Year-over-year increase** of $3.4 million is due to one-time expenses for the new head office location and greater use of professional services relating to information technology. |
| 5 | Total revenues | **Year-over-year increase** in revenue is due to both an increase in non-recurring parliamentary appropriations and donor contributions. |

## Expenses

The results from this exercise are incorporated throughout the Annual Report's Management Discussion & Analysis.

IDRC reports expenses under two principal headings: development research programming and corporate and administrative services. The direct costs of ongoing scientific and technical research projects that the Centre funded in **development research programming** are presented by source of funding (see Table 1). Most of these projects are carried out by independent institutions with the support of research grants. Projects also include research activities undertaken by individuals with the support of individual training grants, scholarships, fellowships, internships and individual research and research-related grants. Research project expenses fluctuate annually based on the project portfolio.

Research project payments are based upon the recipient's progress on research activities and the submission of satisfactory grant deliverables.

Development research programming includes **enhancing research capabilities,** which is an important advisory and knowledge brokerage function that is central to IDRC's business and overall corporate performance.

**Corporate and administrative services** provide a variety of functions that support the Centre's overall operations and corporate responsibilities. These expenses include services such as information governance and digital solutions, human resources, finance and administration, legal, risk management and internal audit.

The table below presents actual expenses by category against budget for the 2022–2023 financial year and a year-over-year comparison of expenses.

**TABLE 2:** YEAR-OVER-YEAR EXPENSES BY CATEGORY

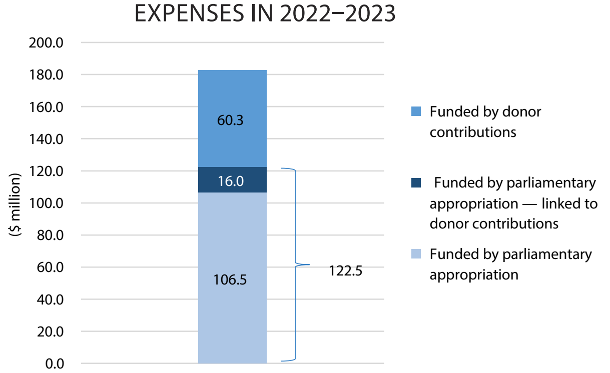
| ($000) | 2022–2023 Actual | 2022–2023 Budget | 2022–2023 Variance | 2021–2022 Actual | $ change actual | % change actual | |
|---|---|---|---|---|---|---|---|
| Research projects | 182 810 | 180 251 | 2 559 | 146 068 | 36 742 | 25.2 % | |
| Salaries and benefits | 42 220 | 46 780 | (4 560) | 41 184 | 1 036 | 2.5 % | 1 |
| Professional services | 4 267 | 3 273 | 994 | 2 825 | 1 442 | 51.0 % | 2 |
| Accommodations | 2 799 | 3 665 | ( 866) | 2 213 | 586 | 26.5 % | 3 |
| Travel | 1 328 | 3 540 | (2 212) | 151 | 1 177 | 780.9 % | 4 |
| Software services | 2 013 | 1 824 | 189 | 1 746 | 267 | 15.3 % | |
| Furniture, equipment and maintenance | 3 719 | 5 043 | (1 324) | 526 | 3 193 | 607.0 % | 5 |
| Amortization | 757 | 1 871 | (1 114) | 1 201 | ( 444) | (37.0%) | |
| Insurance | 240 | 178 | 62 | 196 | 44 | 22.4 % | |
| Interest on lease liabilities | 678 | 468 | 210 | 331 | 347 | 104.8 % | |
| Depreciation of right-of-use assets | 2 355 | 2 427 | ( 72) | 3 042 | ( 687) | (22.6%) | |
| Other | 2 054 | 2 065 | ( 11) | 2 199 | ( 145) | (6.6%) | |
| **Total expenses** | **245 240** | **251 385** | **(6 145)** | **201 682** | **43 558** | **21.6 %** | |

**Variances**

| | | |
|---|---|---|
| 1 | Salaries and benefits | **Budget variance** is primarily related to lower salaries and benefits due to a greater number of vacancies than anticipated at the time of budgeting, including positions for externally funded programs. |
| 2 | Professional services | **Budget variance** is due to various information governance and technology contracts related to improved data-reporting capabilities and services related to furniture dismantling of the prior head office location.<br><br>**Year-over-year increase** is due primarily to various information governance and technology contracts which were related to both implementation of improved data-reporting capabilities and one-time information technology expenses to enhance the technological capabilities of the new head office space. |
| 3 | Accommodations | **Budget variance** is due to lower utility payments, maintenance and property taxes for office premises than anticipated at the time of budget preparation.<br><br>**Year-over-year decrease** is due to lower accommodations cost in 2021–2022 as a result of a reversal of an accounting provision for the dismantling of the previous IDRC head office location. |
| 4 | Travel | **Budget variance** due to less actual travel than planned at the time of budgeting as the return to travel following the pandemic has been slower than expected.<br><br>**Year-over-year increase** as the prior year actuals were minimal due to travel restrictions associated with the COVID-19 pandemic. |
| 5 | Furniture, equipment and maintenance | **Year-over-year increase** is due to the one-time purchases of furniture and technological equipment for the new head office space. |

IDRC often combines donor funds with its own internal funds to amplify funding arrangements with donors. The Centre manages donor contributions pursuant to a co-funding agreement. In 2022–2023, IDRC contributed $16.0 million of its internal funds towards agreements linked to donor contributions. This represents 15.0% of the total Parliament-funded research project expenses (see figure 5).

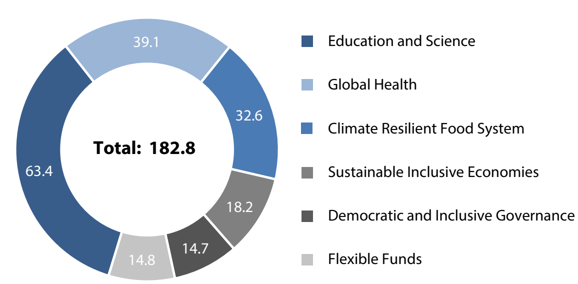
**FIGURE 5:** DEVELOPMENT RESEARCH PROJECT EXPENSES IN 2022–2023




IDRC divides its research project expenses by program based upon needs at the time that funding is allocated. In 2022–2023, the Centre's largest expenses were in the Education and Science program, followed by the Global Health program (see figure 6).

**FIGURE 6:** DEVELOPMENT RESEARCH PROJECT EXPENSES IN 2022–2023 BY PROGRAM DIVISION

($ MILLIONS)



## Revenues

IDRC's revenues include a parliamentary appropriation, donor contributions and revenues from other sources.

The parliamentary appropriation funding is part of Canada's international assistance envelope and allocated to the Centre to support the delivery of its mandate. IDRC also receives donor contributions to either research programs or specific projects which are recognized as donor contribution revenue over the life of the co-funding agreement when the related expenses are incurred. Consequently, while projects funded by donor contributions significantly contribute to advancing the Centre's mandate, their impact on net results and year-end equity is limited.

The table below presents actual revenues against budget for the 2022–2023 financial year, and a year-over-year comparison of revenues.

**TABLE 3:** REVENUES

| | 2022–2023 | | | | 2021–2022 | $ change | % change | |
|---|---|---|---|---|---|---|---|---|
| ($000) | Actual | Budget | Variance | % variance | Actual | actual [a] | actual [a] | |
| Parliamentary appropriation – Recurring | 150 911 | 150 911 | - | - | 148 611 | 2 300 | 1.5% | 1 |
| Parliamentary appropriation – Non-Recurring | 7 380 | 2 790 | 4 590 | 164.5% | - | 7 380 | n/a | 2 |
| Total parliamentary appropriation | 158 291 | 153 701 | 4 590 | 3.0% | 148 611 | 9 680 | 6.5% | |
| Donor contributions | 71 434 | 86 592 | (15 158) | (17.5%) | 66 283 | 5 151 | 7.8% | 3 |
| Investment and other income | 2 159 | 353 | 1 806 | 512.3% | 1 267 | 892 | 70.4% | 4 |
| Total revenues | 231 884 | 240 646 | (8 762) | (3.6%) | 216 161 | 15 723 | 7.3 % | |

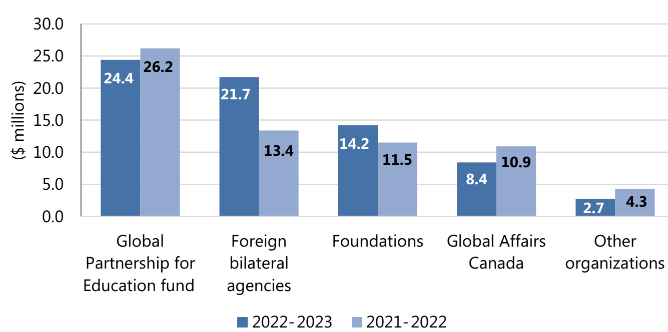
[a] $ and % change actual in 2022–2023 over 2021–2022.

**Variances**

| | | |
|---|---|---|
| 1 | Parliamentary appropriation – Recurring | **Year-over-year increase** due to the increase of $2.3 million pursuant to previous commitments from the Government of Canada to strengthen IDRC's presence in West Africa and enhance programming across West Africa and la Francophonie. |
| 2 | Parliamentary appropriation – Non-Recurring | **Year-over-year increase** due to the transfers from the Canadian Institutes of Health Research (CIHR) and the Social Sciences and Humanities Research Council (SSHRC) totalling $4.6 million to support Canada-developing country research on the health and economic wellbeing of women in the global recovery from COVID-19 and the transfer of $2.3 million from CIHR and the Public Health Agency of Canada to support a vaccine clinical trial against the Sudan Ebolavirus. The balance is from annual non-recurring transfer from other government organizations. |
| 3 | Donor contributions | **Year-over-year increase** as donor contributions revenue fluctuates year-over-year. These fluctuations are linked to the phase in the lifecycle of the programs.<br><br>**Budget variance** is due to changes in the pipeline of donor agreements and the timing of expenditures for active agreements. Donor contributions are received in advance and recognized as revenue when the related project expenses are incurred. The fact that payments did not occur as per the projected timing, especially in large and complex multi-year programs, reflects the inherent unpredictability related to the conduct of research activities. |
| 4 | Investment and other income | **Budget variance** due primarily to rise in interest rates and foreign exchange gains. |

IDRC's largest donor in both 2022–2023 and 2021–2022 was the Global Partnership for Education fund, followed by foreign bilateral agencies (see figure 7).

**FIGURE 7:** REVENUES FROM DONOR CONTRIBUTIONS [a]

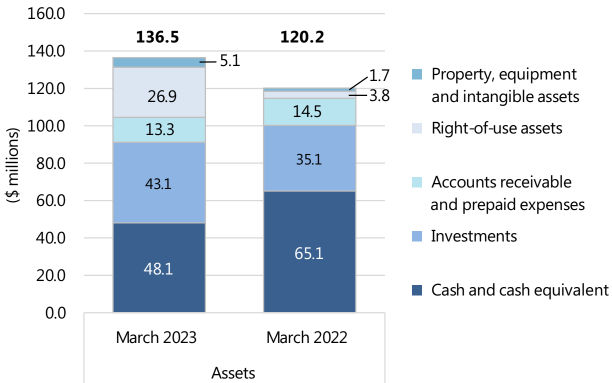


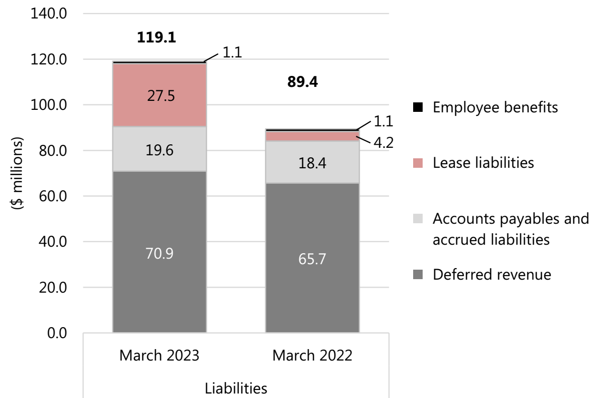

[a] Expended on development research programming and administrative costs.

## Financial position

The Centre's financial position is summarized in Figure 8. The majority of assets consist of cash and investments derived from the cycle of funding received from donor contributions. Liabilities contain a large portion of deferred revenue, which represents donor funds received but not yet recognized as revenue.

**FIGURE 8:** SUMMARY OF ASSETS AND LIABILITIES




Total **assets** increased by 13.6% to $136.5 million (from $120.2 million as at 31 March 2022). The right-of-use assets increased as a result of the lease agreement for IDRC's new head office space in Ottawa, which began in November 2022. Cash balances decreased primarily due to the purchase of investments as well as property and equipment. The Centre invests excess liquidities resulting from donor funds not required in the short-term to earn higher interest than can be generated in bank accounts. Most of the investments consist of bonds, guaranteed investment certificates and treasury bills (refer to Note 3 of the financial statements).

Total **liabilities** increased by 33.2% to $119.1 million (from $89.4 million as at 31 March 2022). This is primarily due to an increase in lease liabilities relating to the lease agreement for the new head office space in Ottawa. The employee benefits amount shown in Figure 8 represents the non-current portion; the current portion is included within accrued liabilities.

IDRC's equity consists of four classes: restricted, reserved, unrestricted and net investments in capital assets. The equity amount in each class is established in accordance with the Centre's equity policy (see Table 4).

**TABLE 4:** EQUITY

| ($000) | 2022–2023 Actual | 2022–2023 Budget | 2022–2023 Variance | 2021–2022 Actual | $ change actual [a] | % change actual [a] |
|---|---|---|---|---|---|---|
| Unrestricted | 1 442 | ( 326) | 1 768 | 12 590 | (11 148) | 773.2 % |
| Restricted | 1 296 | 1 285 | 11 | 1 285 | 11 | (0.8%) |
| Net investments in capital assets | 5 122 | 1 692 | 3 430 | 1 692 | 3 430 | (67.0%) |
| Reserved | 9 540 | 15 189 | (5 649) | 15 189 | (5 649) | 59.2 % |
| **Total equity** | **17 400** | **17 840** | **( 440)** | **30 756** | **(13 356)** | **76.8 %** |

[a] % change actual in 2022–2023 over 2021–2022.

**Restricted** equity is stable at $1.3 million. The balance represents funds received as bequests and donations to be used to support young researchers through fellowships, scholarships or internships.

The Centre decreased its **reserved equity** to $9.5 million at 31 March 2023. The purpose of the reserved equity is to absorb fluctuations in the disbursement of outstanding research project commitments, and to fund initiatives outside of normal operations, as well as future investments in property, equipment and intangibles. At 31 March 2023, an amount of $6.0 million was reserved to absorb fluctuations in the disbursements of outstanding research project commitments and a total of $3.5 million was set aside in the reserved equity for the fit-up of regional office leased premises.

The **unrestricted** equity represents the residual balance of equity after the allotments to restricted and reserved equity and reflects all variances from revenues and expenses. The balance at 31 March 2023 is $1.4 million. This balance is primarily due to the timing of research expenses in the 2022–2023 financial year.

The $5.1 million **net investments in capital assets** segregate the portion of the equity representing IDRC's net investments in capital assets. The balance increased by $3.4 million year-over-year as a result of the fit-up and purchase of equipment for the new head office leased space (see table 5).

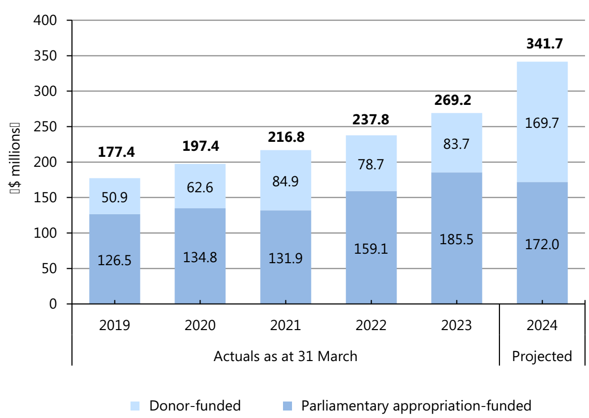
**TABLE 5:** CAPITAL ASSETS ($000)

| ($000) | Balance 1 April 2022 | Net changes | Balance 31 March 2023 |
|---|---|---|---|
| Leasehold improvements | 1 306 | 1 920 | 3 226 |
| Computer equipment | 271 | 15 | 286 |
| Software | 39 | ( 39) | - |
| Office furniture, equipment and vehicles | 73 | 1 537 | 1 610 |
| Communication systems | 3 | ( 3) | - |
| **Total property, equipment and intangible assets** | **1 692** | **3 430** | **5 122** |

## Other key financial information

Figure 9 shows the value of outstanding commitments on research projects for the five previous financial years, as well as the projected value for the 2023–2024 financial year.

**FIGURE 9:** OUTSTANDING COMMITMENTS ON RESEARCH PROJECTS




As at 31 March 2023, the Centre is committed to disburse up to $269.2 million for development research programming activities. It is anticipated that the funds will be disbursed over the next six years. The increase in 2023–2024 is attributable to greater program allocations funded by donor contributions, which is driven by upcoming milestones and will reduce as milestones are achieved and payments are released. These commitments are subject to funds provided by Parliament and by donors on co-funded agreements. They are also subject to the compliance of recipients with the terms and conditions of their grant agreements.

## Historical review and future outlook

IDRC conducts forward-looking financial planning using conservative assumptions for both revenues and expenses, while maintaining a focus on maximizing parliamentary-funded project funding. Management will continue to focus on handling operational expenses to meet organizational needs under Strategy 2030, while ensuring the efficient use of financial resources to create impact and add value. The 2023–2024 budget was prepared with a focus on establishing the necessary financial, human and technological resources required to advance in the achievement of the objectives set out in Strategy 2030. The 2023–2024 budget assumes no further impact of the COVID-19 pandemic. The operating context is one of high inflation while continuing to focus on maximizing program funding and deepening and expanding donor partnerships. The 2023–2024 budget also reflects IDRC's move towards adopting an Environmental, Social and Governance (ESG) framework. Consequently, the budget reflects the resources required to implement the ESG framework as well as measures the Centre is and will be taking to improve its ESG performance, such as adapting its travel practices in order to reduce the Centre's carbon footprint.

Table 6 provides an historical review of IDRC for the last five financial years for the expenses and revenues found on the Statement of Comprehensive Income, as well as information on program allocations and outstanding commitments. It also presents the financial outlook, providing an overview of the expenses, revenues, allocations and equity forecasts for the 2023–2024 financial year.

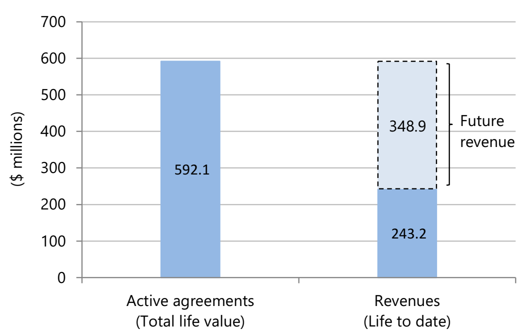
**TABLE 6:** HISTORICAL REVIEW AND BUDGET OUTLOOK

| ($000) | Budget 2023-2024 | Actual 2022-2023 | 2021-2022 | 2020-2021 | 2019-2020 | 2018-2019 |
|---|---|---|---|---|---|---|
| **Statement of comprehensive income** | | | | | | |
| **Expenses** | | | | | | |
| Development research programming | | | | | | |
| Research projects funded by parliamentary appropriation | 107 440 | 122 495 | 89 910 | 98 433 | 88 661 | 99 084 |
| Research projects funded by donor contributions | 94 356 | 60 315 | 56 158 | 47 095 | 41 688 | 42 976 |
| Enhancing research capabilities | 47 571 | 38 130 | 34 689 | 38 204 [a] | 43 322 | 45 756 |
| Development research programming | 249 367 | 220 940 | 180 757 | 183 732 | 173 671 | 187 816 |
| Corporate and administrative services | 22 757 | 24 300 | 20 925 | 21 015 [a] | 18 302 | 17 828 |
| | 272 124 | 245 240 | 201 682 | 204 747 | 191 973 | 205 644 |
| **Revenues** | | | | | | |
| Parliamentary appropriation — recurring | 150 939 | 150 911 | 148 611 | 145 654 | 142 907 | 140 366 |
| Parliamentary appropriation — non-recurring | 5 945 | 7 380 | - | - | - | - |
| Donor contributions | 113 527 | 71 434 | 66 283 | 56 897 | 51 637 | 54 256 |
| Investment and other income | 598 | 2 159 | 1 267 | 567 | 1 191 | 1 210 |
| | 271 009 | 231 884 | 216 161 | 203 117 | 195 735 | 195 832 |
| **Net results of operations** | (1 115) | (13 356) | 14 479 | (1 630) | 3 762 | (9 812) |
| **Other financial information** | | | | | | |
| **Financial ratio** | | | | | | |
| Corporate and administrative expenses ratio | 8.4% | 9.9% | 10.4% | 10.3% | 9.5% | 8.7% |
| **Program allocations** | | | | | | |
| Development research programming | | | | | | |
| Funded by recurring parliamentary appropriation | 120 000 | 147 858 | 129 951 | 100 386 | 99 431 | 97 064 |
| Funded by donor contributions | 157 561 | 86 267 | 36 721 | 66 992 | 66 945 | 49 186 |
| **Outstanding commitments** | | | | | | |
| Funded by parliamentary appropriation | 171 959 | 185 450 | 159 060 | 131 899 | 134 835 | 126 500 |
| Funded by donor contributions | 169 713 | 83 677 | 78 706 | 84 917 | 62 564 | 50 888 |

[a] The amount was adjusted to reflect the 2021–2022 presentation.

The figure below shows the status of donor contributions as at 31 March 2023 and distinguishes revenue already recognized versus future revenue.

**FIGURE 10:** STATUS OF DONOR CONTRIBUTION AGREEMENTS (AS AT 31 MARCH 2023)




As at 31 March 2023, the Centre manages co-funding agreements valued at $592.1 million (see Figure 10). Of this amount, $243.2 million has been recognized as revenue. This leaves a balance of $348.9 million, which represents donor contribution revenue for the next three to five years. Signing new co-funding agreements in the future will replenish this future revenue source.

# Financial statements

In Tsholotsho District, Zimbabwe, a woman takes notes about the crops growing in test plots as smallholder farmers seek drought-resistant varieties. The region has suffered from severe drought linked to the El Niño weather cycle.

SVEN TORFINN/PANOS

# Financial statements

## Management Responsibility for Financial Statements

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

Management is responsible for the integrity and reliability of the financial statements and accounting systems from which they are derived. The Centre maintains an internal control framework to provide reasonable assurance that the financial information is reliable, transactions are authorized and recognized, assets are safeguarded, and liabilities recognized. Management also ensures 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-law of the Centre.

Responsibilities of the Centre's internal auditors incorporate reviewing internal controls, including accounting and financial controls and their application. The Auditor General of Canada conducts an independent audit of the annual financial statements in accordance with Canadian generally accepted auditing standards. The audit includes appropriate tests and procedures to enable the Auditor General of Canada to express an opinion on the financial statements. The internal and 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 oversight responsibility, which includes the review of the financial statements with management and the external auditors before recommending their approval to the Board. The Committee, which is made up of independent governors, meets with management, the internal auditors and the external auditors on a regular basis.

On behalf of management,

Julie Shouldice
Acting President

Geneviève Leguerrier, CPA
Vice-President, Resources,
and Chief Financial Officer

Ottawa, Canada
21 June 2023

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

# INDEPENDENT AUDITOR'S REPORT

To the International Development Research Centre and to the Minister of International Development

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the financial statements of the International Development Research Centre (the Centre), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Management's discussion and analysis included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Centre's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Compliance with Specified Authorities**

*Opinion*

In conjunction with the audit of the financial statements, we have audited transactions of the International Development Research Centre coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *International Development Research Centre Act* and the by-laws of the International Development Research Centre.

In our opinion, the transactions of the International Development Research Centre that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

*Responsibilities of Management for Compliance with Specified Authorities*

Management is responsible for the International Development Research Centre's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the International Development Research Centre to comply with the specified authorities.

*Auditor's Responsibilities for the Audit of Compliance with Specified Authorities*

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Mimma Venema, CPA, CA, CGA
Principal
for the Auditor General of Canada

Ottawa, Canada
21 June 2023

## Statement of Financial Position

(in thousands of Canadian dollars)
as at 31 March

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Current | | |
| Cash (Note 2) | 48 081 | 40 075 |
| Cash equivalent (Note 3) | — | 25 000 |
| Investments (Note 3) | 15 676 | 4 999 |
| Accounts receivable and prepaid expenses (Note 4) | 13 317 | 14 533 |
| | 77 074 | 84 607 |
| Non-current | | |
| Investments (Note 3) | 27 403 | 30 121 |
| Property and equipment (Note 5) | 5 122 | 1 653 |
| Intangible assets (Note 6) | — | 39 |
| Right-of-use assets (Note 7) | 26 884 | 3 749 |
| | **136 483** | **120 169** |
| **Liabilities** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 8) | 19 579 | 18 477 |
| Lease liabilities (Note 9) | 862 | 1 864 |
| Deferred revenue (Note 10) | 63 318 | 60 374 |
| | 83 759 | 80 715 |
| Non-current | | |
| Deferred revenue (Note 10) | 7 619 | 5 323 |
| Employee benefits (Note 11) | 1 070 | 1 079 |
| Lease liabilities (Note 9) | 26 635 | 2 296 |
| | 119 083 | 89 413 |
| **Equity** | | |
| Unrestricted | 1 442 | 12 590 |
| Restricted (Note 12) | 1 296 | 1 285 |
| Net investments in capital assets (Notes 5 and 6) | 5 122 | 1 692 |
| Reserved | 9 540 | 15 189 |
| | 17 400 | 30 756 |
| | **136 483** | **120 169** |

Commitments (Note 13)
Contingencies (Note 14)

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

These financial statements were approved by the Board of Governors on 21 June 2023.

Dorothy Nyambi
Chairperson
Board of Governors

Hilary Rose
Chairperson
Finance and Audit Committee

# Statement of Comprehensive Income

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

| | 2023 | 2022 |
|---|---|---|
| **Expenses** | | |
| Development research programming (Note 15) | | |
| Research projects funded by parliamentary appropriation (Note 16) | 122 495 | 89 910 |
| Research projects funded by donor contributions (Note 16) | 60 315 | 56 158 |
| Enhancing research capabilities | 38 130 | 34 689 |
| | 220 940 | 180 757 |
| Corporate and administrative services (Notes 15) | 24 300 | 20 925 |
| **Total expenses** | **245 240** | **201 682** |
| **Revenues** | | |
| Donor contributions (Note 17) | 71 434 | 66 283 |
| Other income | 1 492 | 1 108 |
| Investment income | 667 | 159 |
| | 73 593 | 67 550 |
| Cost of operations before parliamentary appropriation | (171 647) | (134 132) |
| Parliamentary appropriation (Note 17) | 158 291 | 148 611 |
| **Net results of operations** | **(13 356)** | **14 479** |

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

# Statement of Changes in Equity

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

| | 2023 | 2022 |
|---|---|---|
| **Unrestricted equity** | | |
| Beginning of year | 12 590 | — |
| Net results of operations | (13 356) | 14 479 |
| Net transfers from (to) other classes of equity | 2 208 | (1 889) |
| Balance end of year | 1 442 | 12 590 |
| **Restricted equity** | | |
| Beginning of year | 1 285 | 1 291 |
| Net increase (decrease) | 11 | (6) |
| Balance end of year | 1 296 | 1 285 |
| **Net investments in capital assets** | | |
| Beginning of year | 1 692 | 2 333 |
| Net increase (decrease) | 3 430 | (641) |
| Balance end of year | 5 122 | 1 692 |
| **Reserved equity** | | |
| Beginning of year | 15 189 | 12 653 |
| Net transfers from (to) other classes of equity | (5 649) | 2 536 |
| Balance end of year | 9 540 | 15 189 |
| **Equity, end of year** | **17 400** | **30 756** |

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

## Statement of Cash Flows

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

| | 2023 | 2022 |
|---|---|---|
| **Operating activities** | | |
| Net results of operations | (13 356) | 14 479 |
| | | |
| Adjustments to determine net cash (used in)/from operating activities | | |
| Amortization and depreciation of intangible assets and property and equipment | 757 | 1 200 |
| Depreciation of right-of-use assets | 2 355 | 3 042 |
| Amortization of investment premiums/discounts | (29) | 117 |
| Loss on disposal of property and equipment and intangible assets | 17 | 155 |
| Gain on lease modification | (84) | — |
| Employee benefits | (9) | (120) |
| | **3 007** | **4 394** |
| Change in non-cash operating items | | |
| Accounts receivable and prepaid expenses | (3 413) | 4 106 |
| Accounts payable and accrued liabilities | 1 306 | 1 285 |
| Deferred revenue | 9 869 | 2 035 |
| | **7 762** | **7 426** |
| **Cash flows (used in) from operating activities** | **(2 587)** | **26 299** |
| **Investing activities** | | |
| Purchase of investments | (12 930) | (37 757) |
| Maturity of investments | 4 999 | 2 520 |
| Acquisition of property and equipment | (4 441) | (251) |
| Net proceeds of disposition of property and equipment | 33 | — |
| **Cash flows used in investing activities** | **(12 339)** | **(35 488)** |
| **Financing activities** | | |
| Payment of lease liabilities | (2 068) | (2 998) |
| **Cash flows used in financing activities** | **(2 068)** | **(2 998)** |
| **Decrease in cash** | **(16 994)** | **(12 187)** |
| **Cash and cash equivalents beginning of year** | **65 075** | **77 262** |
| **Cash and cash equivalents end of year** | **48 081** | **65 075** |

Supplementary Information (Note 21)

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

# Notes to the Financial Statements

For the year ended 31 March 2023

## 1. Basis of Preparation

A) General Information

The International Development Research Centre (the Centre or IDRC), a Canadian Crown corporation without share capital, is not an agent of His Majesty and was established as a registered charity in 1970 by the Parliament of Canada through the *International Development Research Centre Act*.

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 sections 89.8 to 89.92, subsection 105(2) and sections 113.1, 119, 131 to 148 and 154.01.

The mandate 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.

B) Basis of preparation

These financial statements comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). These financial statements are prepared on a historical cost basis except for investments, which are measured at amortized cost and certain financial instruments, which are measured at fair value through profit and loss.

These financial statements are presented in Canadian dollars, which is the functional currency of the Centre. All values are rounded to the nearest thousand ($000) except where otherwise indicated.

C) Significant Accounting policies

The significant accounting policies are presented in these financial statements in the appropriate section of these notes. These accounting policies have been used throughout all periods presented in the financial statements unless otherwise disclosed.

D) Significant Judgements and Estimates

In the process of applying the Centre's accounting policies and the application of accounting standards, management is required to make judgements, estimates and assumptions with regards to the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Uncertainty about these assumptions and estimates, or changes in the significant judgments made, could result in adjustments to the disclosed amounts of the assets or liabilities in future years.

Information about judgements, estimates and assumptions that are relevant to understanding these financial statements are disclosed in the relevant notes as follows:

- Credit risk (Note 4 *Accounts receivable and prepaid expenses*)
- Useful lives of assets (Note 5 *Property and equipment*)
- Measurement of borrowing rates (Note 7 *Right-of-use assets*)
- Factors for determining employee benefits (Note 11 *Employee benefits*)
- Provisions and contingent liabilities (Note 14 *Contingencies*)
- Financial instruments risks (Note 19 *Financial instruments and related risks*)

The judgments, estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

E) Taxation

The Centre is exempt from the payment of income tax, as per section 149 of the *Income Tax Act*.

F) Application of new accounting standards

I. New standards, amendments and interpretations that took effect in 2022

There were no new standards, amendments or interpretations issued by the International Accounting Standards Board or the IFRS Interpretation Committee that had an impact on the current financial statements.

II. Standards, amendments and interpretations not yet in effect

Amendments to IAS 1 *Presentation of Financial Statements* require the disclosure of the material accounting policies rather than significant accounting policies. The standard now includes guidance on how to identify material accounting policies stating that an accounting policy is material if, when combined with other information within the financial statements, it can reasonably be expected to influence the decisions of the primary users of the financial statements. IFRS Practice Statement 2 *Making Materiality Judgements* has been amended to include guidance on how to apply materiality to accounting policy disclosures. The amendments are to be applied prospectively. Management is currently assessing the impact of adopting this amendment on the Centre's financial statements.

There are no other future accounting standards or amendments issued by the IASB that are expected to have a significant impact on the Centre's financial statements.

## 2. Cash

### Accounting policy

Cash includes funds on deposit at financial institutions and nominal petty cash at regional offices. Cash is carried at fair value and its performance is actively monitored. Cash not immediately required for working capital can be invested as per the Centre's Investment Policy.

## 3. Investments and cash equivalents

### Accounting policy

Investments consist of non-derivative financial assets with fixed or determinable payments of principal and interest and fixed maturities. Cash equivalents consist of treasury bills with a maturity of less than 90 days. The Centre's business model is to hold the investments and cash equivalents until maturity to collect the contractual cash flows. The Centre currently holds listed bonds, guaranteed investment certificates and treasury bills that are initially recorded at fair value plus transaction costs that are directly attributable to the acquisition and subsequently measured at amortized cost using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income in the year in which the investments are derecognized, modified or impaired. The Centre has an investment policy approved by the Finance and Audit Committee of the Board. Interest income is accrued when earned and included in income for the year.

### Supporting information

The Centre's investment portfolios consist of Canadian federal, provincial, municipal, corporate, schedule I and II bank financial instruments. The bonds have effective interest rates ranging from 0.53% to 3.48% (coupon rates ranging from 1.40% to 7.35%) and guaranteed investment certificates (GICs) have fixed interest rates ranging from 0.50% to 4.50%. The maturity dates of the bonds vary from September 2023 to March 2031 and those of the GICs vary from April 2023 to February 2028. Management intends to hold all investments to maturity.

The net book value, measured at amortized cost, and fair value of these investments, are shown in the following tables. The fair values of the investments can be determined by (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (Level 2); or (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The fair values of the Centre's investments are not quoted in an active market, but rather are determined from quoted prices in a decentralized over-the-counter market, which is considered Level 2 in the fair value hierarchy.

| | Net book value at amortized cost 31 March 2023 | Fair Value 31 March 2023 | Net book value at amortized cost 31 March 2022 | Fair Value 31 March 2022 |
|---|---|---|---|---|
| Bonds: | | | | |
| Federal | 3 010 | 2 705 | 2 998 | 2 754 |
| Provincial | 17 221 | 16 503 | 10 257 | 9 687 |
| Corporate | 3 951 | 3 610 | 3 962 | 3 743 |
| Municipal | 897 | 843 | 904 | 865 |
| Total bonds | 25 079 | 23 661 | 18 121 | 17 049 |
| Guaranteed investment certificates | 18 000 | 18 222 | 12 000 | 12 100 |
| Treasury bills – less than 90 days (cash equivalents) | — | — | 25 000 | 25 000 |
| Treasury bills – more than 90 days | — | — | 4 999 | 4 998 |
| | **43 079** | **41 883** | **60 120** | **59 147** |

### Effective interest rates and maturity terms

| | Effective Interest Rate | Within one year | After one year but no more than five years | More than five years | Total |
|---|---|---|---|---|---|
| Bonds: | | | | | |
| Federal | 1.85% | — | — | 3 010 | 3 010 |
| Provincial | 0.53% to 3.48% | 7 676 | 681 | 8 864 | 17 221 |
| Corporate | 1.84% to 3.20% | — | 3 009 | 942 | 3 951 |
| Municipal | 2.31% | — | — | 897 | 897 |
| Total Bonds | | 7 676 | 3 690 | 13 713 | 25 079 |
| Guaranteed investment certificates | 0.50% to 4.5% | 8 000 | 10 000 | — | 18 000 |
| | | **15 676** | **13 690** | **13 713** | **43 079** |

## 4. Accounts receivable and prepaid expenses

### Accounting policy

Accounts receivable and prepaid expenses are incurred in the normal course of business. The accounts receivable are due upon issuance and the carrying values approximate their fair value due to the short-term nature of these instruments.

### Accounting estimates and judgements

These are not considered by management to present a significant credit risk. The Centre did not identify any receivables that are either past due or impaired as at 31 March 2023 (31 March 2022: nil).

## Supporting information

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Accounts receivable | | |
| Parliamentary appropriation | 2 845 | 6 640 |
| Donor contributions | 6 550 | 5 035 |
| Other | 2 444 | 1 637 |
| | 11 839 | 13 312 |
| Prepaid expenses | 1 478 | 1 221 |
| Total accounts receivable and prepaid expenses | **13 317** | **14 533** |

## 5. Property and equipment

### Accounting policy

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, dismantling costs to remove the items and restoring the site on which they are located. All maintenance expenditures are recognized in the statement of comprehensive income.

Property and equipment are depreciated over their useful lives once the assets are available for use by the Centre and are 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 | Shorter of lease term or the asset's useful economic life |

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 property or equipment (calculated as the difference between the net disposal proceeds and the carrying amount of said 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 annually 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.

### Accounting estimates and judgements

The following are key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the financial statements within the next 12 months:

- Useful lives are assessed annually and are based on management's best estimates of the period of service provided by the assets.
- Changes to useful life estimates would affect future depreciation expenses and the future carrying value of assets.

## Supporting information

| | Computer equipment | Office furniture & equipment | Vehicles | Communication systems | Leasehold improvements | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **at 31 March 2022** | 1 956 | 796 | 210 | 662 | 11 146 | 14 770 |
| Additions | 163 | 1 638 | — | — | 2 436 | 4 237 |
| Disposals | (1 244) | (732) | (81) | (445) | (9 446) | (11 948) |
| **at 31 March 2023** | 875 | 1 702 | 129 | 217 | 4 136 | 7 059 |
| **Accumulated depreciation** | | | | | | |
| **at 31 March 2022** | (1 685) | (788) | (145) | (659) | (9 840) | (13 117) |
| Depreciation for the year | (120) | (73) | (6) | (3) | (516) | (718) |
| Disposals | 1 216 | 732 | 59 | 445 | 9 446 | 11 898 |
| **at 31 March 2023** | (589) | (129) | (92) | (217) | (910) | (1 937) |
| **Net book value** | | | | | | |
| **at 31 March 2022** | 271 | 8 | 65 | 3 | 1 306 | 1 653 |
| **at 31 March 2023** | **286** | **1 573** | **37** | — | **3 226** | **5 122** |

At 31 March 2023, the Centre had no impairment of property and equipment.

## 6. Intangible assets

### Accounting policy

The Centre's intangible assets consist of software that is not an integral part of any hardware. The software is initially recorded at cost, which includes the cost of material and any other costs directly attributable to bringing the software 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 each financial year-end. Amortization is recognized on a straight-line basis over the useful lives of the assets. The estimated useful life of items in this asset class ranges from 3 to 5 years.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

The amortization expense is recognized in the statement of comprehensive income. An assessment is made annually 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.

### Supporting information

| | Software |
|---|---|
| **Cost** | |
| **at 31 March 2022** | 500 |
| Additions | — |
| Disposals | (91) |
| **at 31 March 2023** | 409 |
| **Accumulated amortization** | |
| **at 31 March 2022** | (461) |
| Amortization for the year | (39) |
| Disposals | 91 |
| **at 31 March 2023** | (409) |
| **Net book value** | |
| **at 31 March 2022** | 39 |
| **at 31 March 2023** | — |

At 31 March 2023, the Centre had no impairment of intangible assets.

## 7. Right-of-use assets

### Accounting policy

The Centre leases office space in six countries in the normal course of its business. The average base lease term for office space is eight years. At the inception of a contract, the Centre assesses whether the contract is or contains a lease that conveys the right to use an asset for a period in exchange for considerations. The Centre recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is a lessee, except for low-value leases such as information technology equipment or leases with a term of 12 months or less. The Centre applies the recognition exemption for these leases where the lease payments of these contracts are accounted for as furniture, equipment and maintenance expenses under corporate and administrative services expenses in the statement of comprehensive income on a straight-line basis over the term of the lease (see note 15). The Centre uses a practical expedient in the standard to not separate non-lease components from lease components.

The right-of-use assets are measured at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and an estimate of the dismantling costs to restore the underlying asset.

Right-of-use assets are depreciated over the lease terms on a straight-line basis. The lease term includes periods covered by an option to extend if the Centre is reasonably certain to exercise the option. At the end of each reporting period, an assessment is performed to determine whether there is any indication that right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the right-of-use asset is estimated and an impairment expense is recognized if the carrying value of the right-of-use asset exceeds its recoverable amount.

### Accounting estimates and judgements

The incremental borrowing rates applied to lease liabilities vary depending on the economic environment in which the lease was entered into, the country-specific risk-free rate and the lease term. The incremental borrowing rates represent the applicable rate had the Centre borrowed funds over a similar term with a similar asset in a similar economic environment. The rate is calculated using various inputs as the Centre does not borrow.

### Supporting information

The Centre calculated the lease liabilities using the incremental borrowing rate of between 3.8% and 13.5%. The weighted average rate at 31 March 2023 is 5.38% (31 March 2022: 7.01%).

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| **Cost** | | |
| Leases beginning of year | 13 168 | 13 168 |
| Additions | 25 490 | — |
| | 38 658 | 13 168 |
| **Accumulated depreciation** | | |
| Beginning of year | (9 419) | (6 377) |
| Depreciation expense for the year | (2 355) | (3 042) |
| | (11 774) | (9 419) |
| **Net book value end of year** | **26 884** | **3 749** |

The Centre incurred $122 of expenses related to leases of low-value assets for which the recognition exemption was applied.

The Centre had an 11-month lease for office space in India that ended on 28 February 2023, for which the recognition exemption for short-term leases was applied. The value of this lease was $280 and the Centre incurred $276 of expenses related to this short-term lease. The Centre signed a new lease for the same office space which will commence on 1 March 2023 for a duration of 11 months, therefore the recognition exemption for short-term leases will be applied. The total value of this lease is $275 and the Centre incurred $25 of expenses related to this short-term lease. In addition, the Centre signed a new lease for a different office location in India. This commenced on 1 March 2023 for a duration of 10 years, which includes a five-year renewal option. Once this space is ready to be occupied, the short-term lease will be terminated.

The Centre also had a one-year lease for office space in Jordan that commenced on 1 November 2021 for which the recognition exemption was also applied. The total value of the lease was $40, and the Centre incurred $41 of expenses related to this short-term lease. The lease was renewed for an additional year for a total value of $44 and the Centre incurred $19 of expenses related to this short-term lease.

The Centre also signed a lease modification in March 2023 for the office space in Uruguay to extend the term by 10 years which includes a five-year renewal period.

A lease agreement was signed in September 2020 for the Centre's office space in Ottawa. This lease commenced on 1 November 2022 for a duration of 20 years, which includes a five-year renewal option.

## 8. Accounts payable and accrued liabilities

### Accounting policy

Accounts payable and accrued liabilities are incurred in the normal course of operations and are classified as current liabilities if payment is due within one year or less. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost.

### Supporting information

Accounts payable and accrued liabilities of the Centre principally comprise amounts outstanding for purchases relating to operational activities, grants due to be paid under agreements and accruals for employee paid annual leave and overtime. The carrying amounts set out below approximate their fair value due to the short-term nature of these liabilities.

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Grant payables and accruals | 9 432 | 9 196 |
| Trade payables | 5 218 | 4 695 |
| Payroll | 4 543 | 4 198 |
| Severance benefit (Note 11) | 69 | 62 |
| Other | 317 | 326 |
| | **19 579** | **18 477** |

## 9. Lease liabilities

### Accounting policy

Lease liabilities are comprised of amounts owing for right-of-use assets. At the commencement date, the lease liability is accounted for at the present value of the fixed future lease payments. Subsequent to the commencement date, the liability is remeasured by discounting the revised lease payments using a revised discount rate if the lease term changes. The lease payments are discounted using the Centre's notional incremental borrowing rate.

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Beginning of year | 4 160 | 7 158 |
| Additions | 25 405 | — |
| Interest expense | 678 | 330 |
| Lease payments | (2 746) | (3 328) |
| | **27 497** | **4 160** |
| **Lease liabilities included in the statement of financial position** | | |
| Current | 862 | 1 864 |
| Non-current (after one year, but not more than five) | 4 189 | 1 090 |
| Non-current (more than five years) | 22 446 | 1 206 |
| | **27 497** | **4 160** |

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| **Maturity analysis of contractual undiscounted cash flows** | | |
| Current | 2 307 | 2 111 |
| Non-current (after one year, but not more than five) | 9 347 | 1 813 |
| Non-current (more than five years) | 30 112 | 1 449 |
| | 41 766 | **5 373** |

## 10. Deferred revenue

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.

### Supporting information

#### a. Donor contribution funding for development research programming

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Current | 55 933 | 53 734 |
| Non-current | 7 619 | 5 323 |
| | **63 552** | **59 057** |

Of the total deferred donor contribution funding, Global Affairs Canada accounts for $12 224 (31 March 2022: $9 040), of which $11 349 (31 March 2022: $7 040) was received and $875 (31 March 2022: $2 000) is receivable at year-end.

#### b. Parliamentary appropriations – projects and programs

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Current | 7 385 | 6 640 |

#### c. Total deferred revenues

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Current | 63 318 | 60 374 |
| Non-current | 7 619 | 5 323 |
| | **70 937** | **65 697** |

## 11. Employee benefits

### Accounting policy

**Pension benefits – head office**

Most employees of the Centre working in its head office 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 when employees have rendered services and represent the total pension obligation of the Centre.

**Pension benefits – regional offices**

The Centre offers a number of defined contribution plans that provide pension and other benefits to eligible employees in regional offices. 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 the service is rendered and represent the total obligation of the Centre.

**Severance benefit**
Prior to June 2012, the Centre provided a voluntary departure severance benefit to certain of its employees based on years of service and final salary. A number of employees have chosen to receive their accumulated severance benefit only at departure from the Centre (upon voluntary resignation or retirement).

Management determines the remaining accrued obligation for voluntary severance benefits using an actuarial valuation that is conducted annually. The most recent actuarial valuation was completed for the year ended 31 March 2023.

**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 valuation that is conducted annually. The most recent actuarial valuation was completed for the year ended 31 March 2023. The Centre presents the benefit as a current liability.

## Accounting estimates and judgments

Employee benefit obligations to be settled in the future require assumptions to establish the benefit obligations. Defined benefit accounting is intended to reflect the recognition of the benefit costs over the employee's approximate service period or when an event triggering the benefit entitlement occurs based on the terms of the plan. The significant actuarial assumptions used by the Centre in measuring the benefit obligation and benefit costs are the discount rate, mortality tables, and inflation rate, which has an impact on the long-term rates of compensation increase. The Centre consults with external actuaries regarding these assumptions annually. Changes in these assumptions can have an impact on the defined benefit obligation.

## Supporting information

**Pension benefits – head office**
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 11.1% of gross salary (31 March 2022: 10.5%). Total contributions of $2 877 (31 March 2022: $2 847) 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 number of years. The pensionable service value is calculated as 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.

**Pension benefits – regional offices**
The Centre's contributions to all regional office plans for the year ended 31 March 2023 were $463 (31 March 2022: $423).

**Severance benefit**
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 2023 | 31 March 2022 |
|---|---|---|
| Accrued benefit obligation – end of prior year | 1 141 | 1 252 |
| Current service cost | 17 | 17 |
| Interest cost | 42 | 35 |
| Benefits paid during the year | (236) | (156) |
| Actuarial loss (gain) | 175 | (7) |
| Accrued benefit obligation – end of year | **1 139** | **1 141** |

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Current | 69 | 62 |
| Non-current | 1 070 | 1 079 |
| | **1 139** | **1 141** |

**Sick leave benefit**
The Centre's sick leave benefit, which is included in current liabilities at 31 March 2023, is $492 (31 March 2022: $677).

## 12. Equity management

The Centre's equity balances are comprised of unrestricted, restricted, net investments in capital assets, and reserved equity. The Centre has an equity management policy in place to ensure that it is appropriately funded and that the equity position is identified, measured and managed.

The Centre's objective, with respect to its equity management, is to ensure that sufficient funds are maintained to adequately protect the financial position of the Centre.

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

### Supporting information

**Restricted equity**

Restricted equity for special or significant programs and operational initiatives is drawn down as the funds are used for these programs and initiatives. In 2011–2012, $1.1 million was set aside in restricted equity as part of an endowment bequeathed to the Centre to enable, in perpetuity, the annual awarding of the John G. Bene Fellowship in Community Forestry. In 2016–2017, $0.1 million was added to restricted equity for funds received for The David and Ruth Hopper & Ramesh and Pilar Bhatia Canada Fund bursaries. These funds are being used to support young researchers through fellowships, scholarships or internships.

**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 (see Notes 5 and 6).

**Reserved equity**

The objectives of the reserved equity are to protect the financial position of the Centre by ensuring that a reasonable balance of funds is reserved by management to absorb fluctuations in the disbursement of multi-year outstanding research program commitments, and to fund future purchases of property, equipment and intangibles, as well as future initiatives.

## 13. Commitments

**Research project-related**

The Centre is committed to making payments of up to $269.1 million (31 March 2022: $237.8 million) during the next six years, subject to funds being provided by Parliament or donors and to compliance by recipients with the terms and conditions of their grant agreements. Of this amount, $185.4 million (31 March 2022: $159.1 million) is expected to be funded from future parliamentary appropriations and $83.7 million (31 March 2022: $78.7 million) from donor contribution agreements.

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Within one year | 112 719 | 119 182 |
| After one year, but not more than five | 156 258 | 117 978 |
| More than five years | 150 | 606 |
| Total future payments | **269 127** | **237 766** |

**Other**

The Centre has entered into various agreements for goods and services in Canada and abroad. These agreements expire at different dates up to 2042. Future payments related to these commitments are as follows:

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Within one year | 7 521 | 13 058 |
| After one year, but not more than five | 12 960 | 10 021 |
| More than five years | 39 646 | 17 783 |
| Total future payments | **60 127** | **40 862** |

## 14. Contingencies

The Centre may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business. Based on the advice of legal counsel, management does not expect the outcome of any of these proceedings to have a material effect on the statement of financial position or on the statement of comprehensive income.

As at 31 March 2023, there was one ongoing claim totalling $1.1 million for which a provision has been recorded as a liability (31 March 2022: $1.1. million).

## 15. Schedule of Expenses

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| **Development research programming** | | |
| Contributions to institutions and individuals | 177 287 | 140 562 |
| Core salaries and benefits | 22 959 | 22 419 |
| Co-funded project salaries and benefits [a] | 5 629 | 5 480 |
| Professional services | 5 442 | 5 644 |
| Furniture, equipment, and maintenance | 1 841 | 29 |
| Accommodations | 1 765 | 1 268 |
| Depreciation of right-of-use assets | 1 578 | 2 068 |
| Travel | 1 124 | 144 |
| Co-funded project expenses [a] | 961 | 732 |
| Amortization and depreciation of property and equipment and intangible assets | 546 | 877 |
| Interest on lease liabilities | 454 | 224 |
| Meetings and conferences | 225 | 232 |
| Other | 1 129 | 1 078 |
| | **220 940** | **180 757** |
| **Corporate and administrative services** | | |
| Salaries and benefits | 13 632 | 13 285 |
| Professional services | 3 434 | 2 258 |
| Software expenses | 1 884 | 1 652 |
| Furniture, equipment, and maintenance | 1 806 | 423 |
| Depreciation of right-of-use assets | 777 | 974 |
| Accommodations | 537 | 398 |
| Interest on lease liabilities | 224 | 106 |
| Amortization and depreciation of property and equipment and intangible assets | 211 | 323 |
| Travel | 180 | 3 |
| Loss on disposal of property and equipment and intangible assets | 28 | 155 |
| Other | 1 587 | 1 348 |
| | **24 300** | **20 925** |
| **Total expenses** | **245 240** | **201 682** |

[a] *Includes all costs directly related to the development of research capabilities in co-funded projects and programs. These represent total expenses of $6 590 (31 March 2022: $6 212). Enhancing research capabilities expenses represent IDRC's multifaceted role as research funder, adviser, and knowledge broker. This means that IDRC is a research funder and builds recipient capacity throughout the research process.*

## 16. Grant payments

### Accounting policy

All grant payments to institutions carrying out research projects approved by the Centre are subject to the provision of funds by Parliament or by donors. They are recorded as an expense, either under research projects funded by parliamentary appropriation or research projects funded by donor contributions, in the year they come due as per 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.

## 17. Revenue

### Accounting Policy

**Parliamentary appropriation**

The parliamentary appropriation is recorded as revenue in the year for which it is approved by Parliament. The exception is for those funds received for specific projects and programs, which are deferred and recognized as related expenses when they are incurred. The Centre does not receive parliamentary appropriations for which the primary condition is that the Centre purchase, construct or otherwise acquire property or equipment. Aside from parliamentary appropriations received for specific projects and programs, there are no conditions or contingencies existing under which the parliamentary appropriation would be required to be repaid once received by the Centre. The *IDRC Act* gives the Board of Governors the authority to allocate all appropriated funds.

**Donor contributions**

The Centre enters into co-funding (contribution) agreements with various donors to complement the Centre's funding of research for development by deepening and broadening its programming reach, increasing resources for development research projects and programs, and bringing innovation to scale. The Centre manages donor contributions together with its own contribution funded from the parliamentary appropriation. Funds received or receivable under donor contribution agreements are recorded as deferred revenues until the Centre complies with the conditions attached to the agreements. These deferred revenues are recognized as revenues on a systematic basis in the year in which the expenses are incurred for the purposes they were received.

### Supporting information

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Approved parliamentary appropriation | 159 036 | 155 251 |
| Portion deferred for projects and programs | (745) | (6 640) |
| Parliamentary appropriation recognized in the statement of comprehensive income | 158 291 | 148 611 |

A breakdown of the revenue and expense recognition for donor contributions is provided below.

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Global Partnership for Education Fund (GPE) | 24 367 | 26 222 |
| Global Affairs Canada (GAC) | 8 467 | 10 922 |
| Swedish International Development Cooperation Agency (SIDA) | 8 038 | 8 300 |
| Foreign, Commonwealth & Development Office (FCDO) | 6 534 | 1 790 |
| Bill & Melinda Gates Foundation | 4 776 | 6 638 |
| Ministry of Foreign Affairs Netherlands | 3 560 | 1 525 |
| Azrieli Foundation | 3 496 | 508 |
| The William and Flora Hewlett Foundation | 3 086 | 2 408 |
| Norwegian Agency for Development Cooperation (NORAD) | 3 083 | — |
| The Secretary of State for Health and Social Care (DHSC) | 2 475 | 3 479 |
| Rockefeller Foundation | 2 351 | 1 564 |
| Australian Centre for International Agricultural Research | 499 | 1 707 |
| Other donor agencies | 702 | 1 220 |
| | **71 434** | **66 283** |

The Centre recovers administrative costs from the management of donor contribution funding. The total recovery for the year ended 31 March 2023 was $6 237 (31 March 2022: $5 782) of which $769 (31 March 2022: $977) was from GAC.

## 18. Related party transactions

### Accounting policy

The Government of Canada, as 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 10 and 17 to these financial statements.

**Compensation of key management personnel**

Key management personnel include the Board of Governors, the president, and the vice-presidents. Compensation paid or payable to key management personnel during the year is summarized in the table below.

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Salaries and short-term benefits | 1 780 | 1 605 |
| Post-employment and termination benefits | 354 | 185 |
| | **2 134** | **1 790** |

## 19. Financial instruments and related risks

### Accounting policy

The Centre's financial instruments consist of cash, 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 (consideration given). Subsequent to initial recognition, they are measured based on their classification.

The classifications are as follows:

| Financial instruments | Classification and measurement |
|---|---|
| Cash | Financial assets at fair value through profit and loss |
| Investments | Financial assets at amortized cost |
| Accounts receivable | Financial assets at amortized cost |
| Accounts payable and accrued liabilities | Financial liabilities at amortized cost |

**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 using a single forward-looking expected credit loss model. Any adjustment to the carrying value of the financial asset is recorded in the statement of comprehensive income. As at 31 March 2023, the Centre had no impairment of financial assets.

### Financial instruments 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. The Centre has various financial instruments such as cash, investments, accounts receivable, accounts payable and accrued liabilities which arise from operations.

**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 donors in the normal course of business. The maximum exposure is represented by cash, investments and accounts receivable amounts disclosed on the Centre's statement of financial position. The Centre does not use credit derivatives or similar instruments to mitigate risk, and, as such, the maximum exposure is the full carrying value or face value of the financial asset. The Centre minimizes credit risk on cash by depositing the cash only with a reputable and high-quality financial institution. Credit risk associated with accounts receivable is considered by management to be minimal since most receivables are due from Canadian government entities. Credit risk associated with donor receivables is considered low by management since most receivables are due from Canadian or foreign government entities that have contracted with the Centre. The Centre's investment policy sets out guidelines that define the minimally acceptable counterparty credit ratings 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 R1L for governments, Schedule I and II banks and corporations. DBRS ratings for medium/long-term instruments must hold a minimum rating of A (Low) for governments, AA (Low) for Schedule I banks with a $4M investment limit, A (Low) for Schedule I banks with a $1M investment limit, Schedule II banks and corporations. The Centre regularly reviews the credit ratings of issuers with whom the Centre holds investments and confers with the Vice-President, Resources and Chief Financial Officer 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**

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

| | DBRS rating | 31 March 2023 | 31 March 2022 |
|---|---|---|---|
| Federal | AAA/R1H | 3 010 | 32 997 |
| Provincial | R1M/A+ to AA+ | 17 221 | 10 257 |
| Corporate | A- to AA+ | 3 951 | 15 962 |
| Municipal | AA/A+ | 897 | 904 |
| Canadian Schedule I Banks | R1L to R1H/AA- to AA+ | 17 800 | — |
| Canadian Schedule II Banks | A+ | 200 | — |
| | | **43 079** | **60 120** |

**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.

**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 five 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 that are not considered to be significant.

The Centre has multi-year contribution agreements with non-Canadian donors that are denominated in currencies other than the Canadian dollar. When progress payments are received from those donors, they are translated as described in Note 20. 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 made only when needed and releases 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 that, on a financial year basis, are not considered to be significant.

**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 fluctuations in interest rates on its investments as this would affect the fair value of the instruments. Management intends to hold these instruments 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 significant.

**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 may also hold 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 significant.

## 20. Foreign currency translation

### Accounting policy

Transactions in currencies other than the Centre's functional currency are recognized at rates in effect at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to Canadian dollars using the exchange rate at that date. Exchange gains and losses are recognized in other income in the period in which they arise. Non-monetary items are measured at historical cost and are not revalued. The Centre does not actively hedge against foreign currency fluctuations.

## 21. Supplemental Cash Flow Information

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Interest charges on lease obligations | 678 | 330 |
| Interest received from bank deposits | 883 | — |
| Interest received from investments | 630 | 147 |

The change in accounts receivables and prepaid expenses excludes an amount of $-4.6 million (31 March 2022: $11.7 million), as the amount relates to deferred revenue.

The change in accounts payable and accrued liabilities excludes an amount of $0.2 million (31 March 2022: $0.5 million), as the amount relates to acquisition of property and equipment, within investing activities.

## How to reach us

**idrc.ca**

Follow us

Subscribe to IDRC's online Bulletin: https://idrc.ca/subscribe
IDRC's Digital Library: https://idl-bnc-idrc.dspacedirect.org
Digital operations and support: informationservices@idrc.ca
General information: info@idrc.ca

**Head Office**
International Development Research Centre
PO Box 8500, Ottawa, ON, Canada K1G 3H9
(mailing address)
45 O'Connor Street, Ottawa, ON, Canada K1P 1A4
Phone: +1 613-236-6163
Fax: +1 613-238-7230
Email: info@idrc.ca

**Latin America and the Caribbean Regional Office**
Juncal 1385 Piso 14, 11.000 Montevideo, Uruguay
Phone: +598 2915 0492
Fax: +598 2915 0881
Email: lacro@idrc.ca

**Eastern and Southern Africa Regional Office**
PO Box 62084 00200, Nairobi, Kenya
Eaton Place, 3rd floor
United Nations Crescent, Gigiri, Nairobi, Kenya
Phone: +254 709--74000
Fax: +254 20 2711 063
Email: esaro@idrc.ca

**Central and West Africa Regional Office**
PO Box 25121 CP 10700 Dakar Fann
Immeuble 2K Plaza
Route des Almadies
Dakar, Senegal
Phone: +221 33 820 09 66
Email: waroinfo@idrc.ca

**Middle East and North Africa Regional Office**
PO Box 851527
Zahran Gate Complex – Suite 302
25 Ismael Haqqi Abdo Street
Intersection of Queen Alia Airport Road
and Queen Zain al-Sharaf Street
Al Dyar District, 11185, Amman, Jordan
Phone: 00962(0)6 582 8303
Email: mero@idrc.ca

**Asia Regional Office**
208 Jor Bagh, New Delhi 110003, India
Phone: +91 11 2461 9411
Fax: +91 11 2462 2707
Email: aro@idrc.ca