CORPORATE-LEVEL EVALUATION

Independent Office of Evaluation of IFAD

IFAD's institutional efficiency and efficiency of IFAD-funded operations

JULY 2013

Enabling poor rural people to overcome poverty

IFAD

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Minor amendments have been included in this document to reflect comments received during Executive Board deliberations and to incorporate the latest data available. The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of IFAD concerning the legal status of any country, territory, city or area or its authorities, or concerning the delimitation of its frontiers or boundaries. The designations 'developed' and 'developing' countries are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

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Contents

Abbreviations and acronyms 4
Foreword 6
Acknowledgements 8
Overview 10

1 Evaluation context and framework 33
Purpose and definitions 33
Recent developments and reforms 33
Conceptual framework and objectives 35
Methodology, limitations and process 36

2 Programmes and programme management 38
Context and objectives 38
Principal findings 39

3 Oversight and support 58
Principal findings (excluding ICT) 58
Principal findings – ICT 64

4 Managing results, budget and people 67
Principal findings – managing results and budget 67
Principal findings – managing people 73

5 Organization, leadership and decision-making 80

6 Governing Bodies 85

7 Indicators to assess project and institutional efficiency 89

8 Conclusions and recommendations 92
Conclusions 92
Recommendations 94
Concluding thoughts 96

Annexes 98
1. List of persons met 98
2. Bibliography 100
3. IFAD at a glance 102
4. IFAD and comparator organizations 105
5. Programmes and programme management – supporting data 107
6. Country context processes: Implications for IFAD's institutional and programme efficiencies 108
7. Summary of government processes 114
8. Oversight and support units – supporting annex 119
9. Summary of CLE surveys 124
10. Senior independent advisers' report 146
11. IFAD Management response 150
12. Excerpts from the report of the Chairperson of the seventy-sixth session of the Evaluation Committee to the Executive Board 159
13. Excerpts from the minutes of the 108th session of the Executive Board 161
14. Emerging Markets Forum: evaluation team of consultants 163

Working papers
1. Programme Efficiency
2. Programme Management Efficiency
3. Efficiency of Oversight and Support Units
4. Information and Communications Technologies
5. Efficiency of Results and Budget Management
6. People Management
7. Organization, Decision Making, and Delegation of Authority
8. Governing Bodies
9. Assessment of Key Legal Processes & Efficiency of the Office of the General Counsel

The working papers are available upon request from the Independent Office of Evaluation of IFAD, evaluation@ifad.org.

Abbreviations and acronyms

AC	Audit Committee
ADM	Administrative Services Division
AfDB	African Development Bank
ARPP	Annual Report on Portfolio Performance
ARRI	Annual Report on Results and Impact of IFAD Operations
ADB	Asian Development Bank
AUO	Office of Audit and Oversight
CBA	cost-benefit analysis
CFS	Controller's and Financial Services Division
CLE	corporate-level evaluation
CLEE	corporate-level evaluation on IFAD's institutional efficiency and efficiency of IFAD-funded operations
COM	Communications Division
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPO	country programme officer
CPM	country programme manager
CPMT	country programme management team
CPR	corporate performance report
CRA	Change and Reform Agenda
CSD	Corporate Services Department
CSSG	Corporate Services Support Group
DMP	divisional management plans
DoA	delegation of authority
DSF	Debt Sustainability Framework
DSIS	direct supervision and implementation support
EB	Executive Board
EC	Evaluation Committee
EO	Ethics Office
FAO	Food and Agriculture Organization of the United Nations
FOD	Financial Operations Department
FTE	full-time equivalent
GS	General Service
GC	Governing Council
HQ	headquarters
HR	human resources
HRD	Human Resources Division
ICO	IFAD country office
ICT	information and communication technology
ICTD	Information and Communication Technology Division

IDA	International Development Association
IDB	Inter-American Development Bank
IEE	Independent External Evaluation of IFAD
IFAD	International Fund for Agricultural Development
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
KM	knowledge management
LEG	Office of the General Counsel
LGS	Loans and Grants System
M&E	monitoring and evaluation
MDB	multilateral development bank
MICs	middle-income countries
MTP	Medium-term Plan
NGO	non-governmental organization
O&M	operations and maintenance
O&S	oversight and support units
OECD/DAC	Organisation for Economic Co-operation and Development/ Development Assistance Committee
OPV	Office of the President and Vice-President
PBAS	performance-based allocation system
PCR	project completion report
PFS	Project Financial Statements
PMD	Programme Management Department
PMU	project management unit
POLG	programme of loans and grants
POW	programme of work
PRM	Office of Partnership and Resource Mobilization
PSR	project status report
PTA	Policy and Technical Advisory Division
QA	quality assurance
QE	quality enhancement
RBB	results-based budgeting
RIDE	Report on IFAD's Development Effectiveness
RIMS	Results and Impact Management System
RMF	Results Measurement Framework
SEC	Office of the Secretary
SKM	Strategy and Knowledge Management Department
TOR	terms of reference
TRE	Treasury Services Division
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VP	Vice-President
WCA	West and Central Africa Division
WFP	World Food Programme

Foreword

This report presents the findings and recommendations of the corporate-level evaluation on IFAD's efficiency (CLEE). The CLEE responds to the growing interest in the organization's efficiency in the wake of the 2008 global economic and financial crisis, and the ensuing budget constraints affecting many IFAD member states.

The main audience of this evaluation is IFAD Management and the Executive Board. However, the evaluation will also be of interest to IFAD Member States, multilateral and bilateral organizations, as well as the development evaluation community in general. CLEE covers not only the efficiency of IFAD operations, but also institutional efficiency in a number of critical areas: the management of human resources, results and budgets, ICT, oversight and support functions, leadership and decision-making, and governing bodies. Given its scope and coverage, it has been arguably the most complex and challenging evaluation done by the Independent Office of Evaluation (IOE).

The challenge has been exacerbated by the fact that this evaluation is the first of its kind among development agencies, requiring IOE to develop a dedicated methodology, and mobilize extraordinary expertise in evaluation and a range of technical areas. The unique features of this evaluation include the analysis of efficiency at multiple levels – output, outcome, impact and scaled-up outcome and impact, which is very relevant for IFAD. Credit goes to the Executive Board and IFAD Management for their support in this undertaking, as well as for their openness to engage with IOE throughout the evaluation process, and share with us the necessary data, information and documentation required for our analysis.

IOE has been ably supported by a highly credible team of consultants, with country case studies mostly done by national consultants (annex 14). IOE has benefitted from the insightful inputs of two senior independent advisers, Robert Picciotto and Richard Manning, who ensured that IOE and its consultants followed the most appropriate evaluation methodology and process to conduct this evaluation, and who also reviewed and commented on several deliverables, including the draft final report. Their joint analysis on the quality of the evaluation has been included (annex 10). The CLEE also included valuable contributions by several IOE staff at different stages, however, in line with the IFAD Evaluation Policy, as the manager of the CLEE, I take full responsibility and ownership of the contents in the final evaluation report and the overall evaluation process.

In terms of process, special effort was made by IOE throughout the evaluation to minimize surprises and maximize learning and dialogue. For example, emerging evaluation findings were discussed with IFAD Management in a timely manner, both informally and formally. Management was given the opportunity to review and comment on the emerging findings in an interim report, and their feedback was duly considered by IOE in the preparation of the draft final evaluation report, where they also had a chance to comment. The main findings were presented to the Evaluation Committee and the Executive Board for their feedback before the preparation of the final evaluation report.

The CLEE found that a number of initiatives to enhance efficiency and effectiveness have been undertaken in recent years, including in the course of the evaluation. They include the introduction of direct supervision and implementation support, expanded country presence, the Change and Reform Agenda, commitments related to efficiency undertaken in the context of IFAD9 consultations, a more transparent and strengthened budget process, and the even more recent Strategic Workforce Plan. On the operational front, IFAD is engaged in a fundamental transition from a focus on financing individual projects to a programmatic approach that links knowledge work, policy dialogue and partnerships to projects in each country, with growing attention given to the scaling up agenda. It will take time for the full benefits of

many management decisions and reforms to be realized fully. At the same time, there are a number of opportunities for increased efficiency at different levels, and they are enumerated in the report. In pursuing these opportunities, IFAD Management and the Executive Board must be mindful of the trade-offs between efficiency at these different levels.

With respect to the governing bodies, CLEE finds that their overall architecture is complex, but it works. The non-resident nature of the Board is a positive characteristic but it does contribute to an overloaded agenda. There are opportunities for the Governing Council to delegate to the Executive Board, and for the Board to delegate to Management. The report includes a dedicated chapter on the efficiency of IFAD governing bodies, with many interesting findings that deserve reflection.

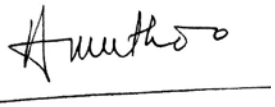
The evaluation has a number of important findings and recommendations that merit close attention. The overarching recommendation is that IFAD "*Raise the bar for IFAD's own performance as a partner to promote scaled-up impact of IFAD-supported operations*." This recommendation is grounded in the rationale that for IFAD to make a significant impact, it must leverage its resources manyfold by attracting partner resources on a very large scale to replicate and scale up pioneering, innovative IFAD-funded operations and activities. This requires that IFAD become the center of excellence in its niche by raising the bar on its own performance. It compels IFAD to aspire to the threshold of '*satisfactory or better*' performance as against the current practice of '*moderately satisfactory or better*'. That is the first step toward excellence in all aspects of operations, and toward developing IFAD-supported projects and country programmes that can lead to the desired levels of scaled-up impact.

This recommendation is supported by seven sub-recommendations:

- Scaling up of high impact, innovative approaches emerging from IFAD-supported projects and programmes should become the objective of IFAD's business model;
- Articulate and implement a clear vision for country presence and how IFAD would operate in a decentralized environment;
- Manage oversight and support units, including critical ICT functions, with a clear focus on increasing service quality and cost efficiency;
- Better manage scarce budgetary resources towards high-quality results;
- Manage strategically the skills composition, cost and performance of the workforce;
- Focus oversight by the governing bodies on key strategic issues, with more attention to discussing results, lessons and evaluations;
- Instill an institutional culture of accountability and performance, and strengthen the reporting for results.

With respect to the governing bodies, the evaluation also recommends the introduction of a code of conduct, a normal feature of international financial institutions, and the development of broad terms of reference for Executive Board members to assist Member States in designating their representatives.

Discussions on the CLEE by the Evaluation Committee and the Executive Board have resulted in broad agreement on the recommendations, and highlighted the critical importance of effective and timely follow-up. Management and IOE agree that the best way forward is to combine the recommendations of the evaluation and the efficiency-related commitments undertaken in IFAD9 consultations into a single, consolidated action plan for further enhancing IFAD's efficiency.



Acting Director
Independent Office of Evaluation of IFAD

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The Independent Office of Evaluation of IFAD (IOE) would like to thank Dr Kanayo F. Nwanze, President of IFAD, for proposing this unprecedented corporate-level evaluation on efficiency (CLEE), and for his collaboration and support throughout the process. IOE is also grateful for the interest shown and the encouragement given by members of the IFAD Executive Board and Evaluation Committee. Our sincere appreciation goes to IFAD managers and staff, including colleagues within IOE, who provided their valuable insights and access to key documents and data to facilitate the evaluation.

The CLEE was carried out by a team of experts from the Emerging Markets Forum, and specialized international and national consultants (annex 14). IOE gratefully acknowledges the guidance and insights received from Richard Manning and Robert Picciotto, two eminent senior independent advisers, who provided comments throughout the process and reviewed the main evaluation deliverables. IOE staff members Kendra White and Anna Benassi provided invaluable administrative and logistical support. Jill Baskins, from the Office of the Secretary performed the final editorial review of the publication. Appreciation is due to Melba Alvarez, of the IOE Evaluation Communication Unit, who led the development of the design, layout and graphics of this report.

INDIA

A husband and wife team sort through the new harvest. The silo in the background is the storage facility for the local grain bank, a traditional village institution re-established with IFAD-funded project assistance. It works like a bank using sorghum or paddy instead of currency. The project matched members' deposits to ensure grain reserves at the banks.

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Overview

Introduction

1. **Background**. IFAD's Management and Governing Bodies have always been concerned with the efficiency of the organization. This preoccupation intensified in the wake of the 2008 global economic and financial crisis, and is demonstrated by the budget constraints that currently affect many IFAD Member States.

2. The 2010 Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Independent Office of Evaluation of IFAD (IOE) addressed efficiency as its main theme. An Issues Paper[1] served as the background for an in-house workshop on efficiency with Management and staff in 2010.

3. Following discussions with Management and the Evaluation Committee (EC), the Board requested IOE to conduct a corporate-level evaluation (CLE) on IFAD's efficiency. The draft approach paper[2] of the evaluation was discussed with the EC at its sixty-sixth session in March 2011. In September 2011, a team of consultants[3] was contracted following IFAD procurement guidelines and procedures. The broad objectives, scope and coverage of this evaluation were agreed with IFAD Management and the EC at the outset of the process.

4. This is the first evaluation of its kind carried out in multilateral and bilateral development organizations. It may well be among the most complex and far-reaching type of evaluation ever conducted by IOE. As such, it posed complex methodological challenges. Ample feedback was secured from Management and staff as well as from Member State representatives in Rome and at the country level. IFAD's President and the Governing Bodies are to be credited for their support of this undertaking.

5. This overview presents salient evaluation findings. It outlines major achievements and remaining areas of challenge that the Fund and its Governing Bodies should focus on to improve IFAD's institutional and project/programme efficiency.

6. The overview contains four sections. The introduction summarizes the context, purpose and structure of the overview. It also describes the conceptual framework for the evaluation and presents the evaluation's objectives, methodology and process. The second section traces Management's measures to improve efficiency following the 2005 Independent External Evaluation of IFAD (IEE).[4] The third section contains the major findings, and the fourth summarizes the main conclusions and recommendations. The overview is self-contained. Supporting data and evidence are contained in the main evaluation report and the working papers.

7. **Conceptual framework.** The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) defines efficiency as "a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results." IFAD has adopted this definition,[5] which is also used by the evaluation units of many multilateral development banks (MDBs).

8. Depending on the context, the results and measures of efficiency can be associated with outputs, outcomes and impacts. All three levels of efficiency are relevant. While the emphasis here is on impacts, especially scaled-up impacts, the other dimensions are also important because IFAD has greater control over them and they often pave the way towards impact and sustainability. Although different efficiencies generally move

[1] Issues Paper: www.ifad.org/evaluation/arri/issues/2010/efficiency.pdf.

[2] Approach paper: www.ifad.org/gbdocs/eb/ec/e/55/e/index.htm.

[3] The list of consultants is found in annex 14.

[4] IEE report: www.ifad.org/gbdocs/eb/84/e/EB-2005-84-R-2-REV-1.pdf.

[5] See the Evaluation Manual: www.ifad.org/evaluation/process_methodology/doc/manual.pdf.

in tandem, there can be trade-offs, in some instances, between pursuing high levels of efficiency for outputs or outcomes, and achieving satisfactory or highly satisfactory performance for impact and sustainability.

9. The conceptual framework of this CLE divides IFAD's efficiency into programme efficiency and institutional efficiency. Programme efficiency[6] is a measure of how well IFAD deploys its funding instruments (i.e. primarily its programme of loans and grants [POLG]) and its non-lending activities – knowledge management (KM), partnership-building and policy dialogue – to support development outcomes and impacts in its member countries. This extends beyond direct impact to scaled-up impacts, which partly depend on the complementary actions of IFAD's clients and partners.

10. Institutional efficiency is a measure of how well IFAD uses its administrative budget to deliver and manage its development programmes. For example, how efficiently IFAD organizes and uses its overall workforce has implications for the delivery of IFAD-supported programmes in recipient countries. As the primary interface with IFAD's clients, the Programme Management Department (PMD) is at the core of institutional efficiency. IFAD's oversight and support (O&S) functions, as well as its management of results, people and budgetary resources are also determinants of institutional efficiency. An overarching role belongs to the efficiency of executive decision-making, and to the oversight and guidance provided by IFAD Governing Bodies.

11. **Context**. It is important to underline some key characteristics of the wider context. First, IFAD has a specialized mission: to support smallholder agricultural development in remote rural areas where infrastructure and institutions are weak, access to markets pose a challenge, and development services are insufficient. This has implications for programme efficiency. Second, IFAD is a hybrid organization that combines the features of a specialized agency of the United Nations (and as such has chosen to adopt the main policy parameters of the International Civil Service Commission), with those of MDBs with respect to its operating model[7] and governance structure.[8] Third, IFAD is mandated to work in all geographic regions and the level of financial resources at its disposal is modest – both as compared to the MDBs and relative to the demanding and diverse development challenges that it is seeking to address.[9]

12. These contextual factors constrain the Fund from benefiting from the economies of scale – in particular with respect to administrative overheads – available to other MDBs. They also entail that scaling up impact of IFAD operations – especially by enlisting others in its efforts, including governments, the private sector and other multilateral and bilateral organizations – is essential if the Fund is to make a wider impact on rural poverty and improve the efficiency with which it contributes to such outcomes. But for this to happen, partnership-building should have priority and IFAD would need to generate a substantial number of highly successful, creative and promising rural innovations ripe for scaling up by others. At the heart of scaled-up impact, therefore, is the need for IFAD to demonstrate high performance itself as an incubator of successful change. However, this does involve risk.

13. In principle, as called for by the terms of reference for this evaluation, IFAD's institutional efficiency should be judged against the backdrop of how other development organizations fare with respect to efficiency. However and quite apart from differences in operational mandates and size, benchmarking IFAD against other international financial institutions (IFIs) or development agencies is fraught with challenges. Agencies account for administrative costs in different ways, costs are a function of location, and the mix of services that they deliver to developing countries varies considerably. However, in a number of comparative assessments of performance across development organizations and bilateral programmes, IFAD ranks well on several dimensions (e.g. use of country procurement and financial management systems) but it is below average on measures of efficiency that relate to administrative costs and overhead.

14. **Constraints and limitations.** This type of evaluation has yet to be conducted by any international organization, and as such, there is very little published data on project efficiency. Data was only found for the World Bank, the Asian Development Bank (ADB) and the African Development Bank (AfDB). This did not facilitate comparisons between IFAD and other organizations.

[6] Project efficiency is a subset of programme efficiency.

[7] For example, a bulk of IFAD's development activities are financed by loans rather than grants.

[8] For example, unlike the practice in most specialized agencies of the United Nations, in IFAD the voting rights of individual countries are determined based on the level of their total financial contributions to the organization.

[9] However, arguably, its single sector focus is also an advantage vis-à-vis the other IFIs whose mandates have much broader coverage.

15. IFAD's own evaluation data (both independent and self-evaluation) confirm that efficiency of IFAD-supported projects is among the lowest-rated criteria of performance, with little discernible improvement since 2006. However, a number of reports from other agencies have identified weaknesses in the way project efficiency is assessed.[10] An Inter-American Development Bank review of country strategies found that the absence of a clear definition of the concept of efficiency made its usage "uninformative". A review of 25 United Nations Development Programme (UNDP) evaluations found that in 40 per cent of the evaluations there was no efficiency assessment, and in a further 40 per cent the assessment was rated as poor or very poor. A review of 34 Swedish International Development Cooperation Agency evaluations concluded that only 21 per cent considered efficiency sufficiently.

16. There has been a general decline in the use of cost-benefit analysis (CBA) in both appraisals and evaluations. A 2010 World Bank study[11] found that the percentage of investment operations containing an estimate of the economic return had declined from nearly 70 per cent in the 1970s to approximately 30 per cent in the early 2000s. The World Bank Annual Review of Development Effectiveness (2009) commented that economic CBA had become a "dormant subject". An Inter-American Development Bank review found that only 8 per cent of projects with CBA achieved a high score for the quality of the economic analysis.

17. Other constraints included difficulties in the collection of data related to costs, especially staff costs allocated to different services and activities; challenges in obtaining the required data on operations and other functional areas, partly due to the fragmentation of databases; and retrieval of documents, especially those produced years ago. Moreover, while IFAD has introduced important reforms (e.g. in the area of human resources [HR], new operating model, etc.), their impact on efficiency has yet to materialize in full at the time of this evaluation.

18. Meaningful institutional efficiency trends are equally hard to capture. The Fund was initially established to provide financing for projects designed by other institutions. The Agreement Establishing IFAD did not allow for direct supervision, nor was IFAD expected to have country presence or be involved in policy dialogue. However, in recent years, there has been a radical shift in the operating model, with IFAD increasingly performing as a full-fledged development agency that finances investment projects and programmes, conducts its own supervision, is involved in policy processes, and has country representation in many Member States. The recent changes which go in the right direction imply a steep learning curve for the institution, continuing higher costs and an inevitable lag until the full benefits are realized.

19. **Evaluation objectives.** The efficiency evaluation has six main objectives. These are to evaluate the:
    (a) Efficiency of IFAD's programmes, including country strategies, projects, grants, policy dialogue and partnerships, with particular attention to scaled-up impact;
    (b) Institutional efficiency of IFAD's programme management as well as its O&S functions;
    (c) Implications of the Governing Bodies on IFAD's institutional efficiency;
    (d) Institutional efficiency implications of IFAD's management of results, budgets and people; and
    (e) Implications of recipient country context and government processes that affect both the institutional and the project/programme efficiency of IFAD.

20. The sixth objective is to develop recommendations for IFAD to enhance its efficiency at all levels and propose indicators for assessing and monitoring IFAD's programme and institutional efficiency.

21. **Methodology.** The CLE takes 2005 as the baseline year to assess the reforms made to improve efficiency. This was the year in which the IEE was completed by IOE. It led to a series of reforms by Management. Even though the IEE focused largely on effectiveness and not efficiency, it serves as a good starting point for assessing the extent to which IFAD has moved forward in its reform efforts. However, in selected areas, the efficiency evaluation extends back to 2000, the year the Governing Council (GC) approved the Process Reengineering Programme.[12]

[10] The evaluation division of the German Federal Ministry for Economic Cooperation and Development study on tools and methods for evaluating the efficiency of development interventions includes a catalogue of 17 methods that can be used for assessing aid efficiency, including econometric methods, CBA, expert judgement, benchmarking of unit costs, and others; see report by Markus Palenberg (December 2010).

[11] This report is found at www.worldbank.org/oed.

[12] Following an assessment by Management of the Process Reengineering Programme, the latter was converted into the Strategic Change Programme in September 2001. This was done to ensure that the reengineering effort would be better linked to the Strategic Framework and also address matters beyond corporate business processes and information and communication technology (ICT).

22. The evaluation relied on a mix of methods (qualitative and quantitative) and triangulation techniques to generate its findings. This included the review of documents, data analysis, individual and focus group discussions with IFAD Management and staff as well as with representatives of the Executive Board (EB) and the EC and the Audit Committee (AC), electronic surveys, field visits to five countries covered by IFAD operations, and discussions with staff of selected multilateral development organizations.

23. Moreover, the efficiency evaluation has also used existing independent evaluative evidence in published IOE reports including the Annual Report on Results and Impact of IFAD Operations (ARRI),[13] other country programme evaluations (CPEs) (e.g. on rural finance, innovation and scaling up, gender, private sector, direct supervision, field presence, and agriculture in Africa, etc.), and selected CPEs. This has allowed IOE to build on the wealth of data collected and conclusions generated through previous independent evaluations to supplement and strengthen the analysis conducted in the efficiency evaluation.

24. In sum, the evaluation is based on multiple and wide-ranging sources of primary and secondary information, data and evidence, including knowledge and judgments by IOE and its internationally reputed team of experts in different technical fields and evaluation. Attention was paid to ensuring that the evaluation methodology and process used were in line with the main provisions of the IFAD Evaluation Manual, Good Practice Standards of the Evaluation Cooperation Group of the MDBs, as well as the norms and standards of the United Nations Evaluation Group.

25. With regard to the aforementioned, IOE has used internationally recognized evaluation fundamentals and criteria in the efficiency evaluation, as contained in the IFAD Evaluation Manual. To facilitate understanding of some key terms used in this report, it is worth clarifying that project performance is a composite criterion based on the assessment of project relevance, effectiveness and efficiency criteria. Project performance is not necessarily aligned with IFAD performance, since other influences (in particular the performance of partner governments as well as exogenous factors) also contribute to project performance. IFAD performance, on the other hand, mainly assesses the contribution of the Fund to project design, supervision and implementation support, and learning from previous reviews and evaluation for strengthening design and implementation. Finally, the efficiency evaluation has also been able to discuss performance in non-lending activities (policy dialogue, KM, and partnership-building), which are increasingly becoming an integral dimension of IFAD's delivery model. Non-lending activities are assessed in each CPE from 2006, since it is included as a core evaluation criterion in IFAD's Evaluation Manual agreed with the EC.

26. **Process, phases, and deliverables.** Given the complexity of the evaluation and in line with the IFAD Evaluation Policy, IOE engaged two senior independent advisers[14] to provide inputs at different stages of the evaluation. Their report on the quality of the evaluation's process and contents is included as annex 10.

27. The evaluation was organized in four major phases: (i) inception; (ii) desk review; (iii) country case studies and discussions with comparator organizations; and (iv) preparation of the final report. The inception phase included building on the approach paper to develop further the evaluation methodology and the framework and instruments for data collection. The main deliverable from this phase was the inception report.[15] The desk review phase included a review of numerous key documents, electronic surveys, collection and analysis of data, and bilateral and focus group discussions with IFAD Management and staff as well as with members of the Executive Board and the EC. The desk review phase led to the production of working papers and an interim report that was shared with Management for review and comments.

28. Following the desk review phase, five country case studies were conducted in Honduras, India, Mali, the United Republic of Tanzania and Uganda. In most cases, national consultants undertook the case studies under the guidance of IOE and its consultants' team. The purpose of these case studies was to examine government processes related to IFAD activities and understand their implications for the efficiency of IFAD-supported activities. During this phase, the team also held discussions with and collected data from comparator

[13] The ARRI is IOE's annual flagship report, containing a syntheses of performance of IFAD-supported operations, and key lessons and development challenges that IFAD and recipient countries need to address for better results on rural poverty. The latest ARRI may be seen at www.ifad.org/evaluation/arri/index.htm.

[14] Robert Picciotto, former Senior Vice President and Director General of the Independent Evaluation Group of the World Bank, and Richard Manning, former Chairman of the OECD Development Assistance Committee.

[15] The inception report was shared as a background document with the EC at its seventy-fourth session in November 2012 (www.ifad.org/gbdocs/eb/ec/e/74/index.htm).

organizations (e.g. World Bank, African, Asian and Inter-American Development Banks, Food and Agriculture Organization of the United Nations [FAO] and others) for the final report.

29. The last phase of the evaluation was the production of the draft final report, during which IOE considered Management's detailed comments on the interim report. The main findings were presented to the EC at its session in November 2012 and the EB in December 2012, and their feedback has also been factored into the final report. The draft final report was shared with IFAD Management in January 2013 and their comments have been taken into account in the preparation of the final report.

Management efforts to enhance efficiency

30. Responding to the recommendations of the IEE, Management introduced an Action Plan to Improve IFAD's Development Effectiveness.[16] Efforts in the years immediately following the IEE were more focused on enhancing the relevance and effectiveness of IFAD operations than on their efficiency (e.g. introduction of a targeting policy, and undertaking direct supervision and implementation support (DSIS), etc.).

31. However, efficiency has received increased attention from Management and the Governing Bodies over the past three to four years. This is reflected in key corporate documents such as the IFAD Strategic Framework 2011-2015, that stresses the importance of devoting an increasing share of IFAD resources to programmes and projects and improving the efficiency of its business processes. It notes the need for better use of information technology in operations and in internal business processes as a means to this end. Moreover, IFAD launched a far-reaching Change and Reform Agenda in 2009, which aimed to tackle several critical aspects designed, inter-alia, to enhance efficiency, such as human resources reform and strengthening IFAD's organizational structure.

32. Enhancing efficiency was a key topic treated during the consultations of IFAD's Ninth Replenishment (IFAD9) in 2011. IFAD prepared a comprehensive paper on Managing for Efficiency[17] that was discussed at the October 2011 session of the Consultation. The main elements of this paper, with inputs from Member States, were included as part of the final Report of the Consultation on the Ninth Replenishment of IFAD's Resources.[18]

33. Other initiatives undertaken in 2012 include efforts to enhance overall budget preparation, execution and reporting; the undertaking of an IFAD-wide job audit and strategic workforce planning; the development of a coherent Medium-term Plan for the Ninth Replenishment period (2013-2015), and the introduction of measures (most of which were approved by the Board in December 2012) to reduce costs and enhance efficiency in relation to the operations of IFAD Governing Bodies. Other efforts currently under way are too recent to be assessed in any detail, for example, the introduction of a reward and recognition framework and other actions that aim to strengthen IFAD's performance management culture. They demonstrate that the institution is taking efficiency improvements seriously.

Main evaluation findings

34. This section provides the salient findings that are backed by evidence contained in the main efficiency evaluation report and its various working papers, as well as other independent evaluation reports by IOE. The section includes evaluation findings on IFAD's efficiency in eight areas including: (i) projects and programmes; (ii) programme management; (iii) O&S functions; (iv) results and budget management; (v) managing people; (vi) organizational structure, leadership and decision-making; and (vii) IFAD governing bodies. The final part (viii) in this section contains a discussion on indicators for assessing and monitoring project and institutional efficiency.

35. **Projects and programmes.** Over the past five to six years, IFAD has significantly expanded its programme of work (i.e. its loans and grants, including cofinancing from both domestic and international sources),[19] suggesting progress towards its aspiration for a leadership role in reducing rural poverty in all regions.

36. The majority of rural poor derive their livelihoods from agricultural-related activities. The country case studies found that governments, the rural poor and other country level partners are appreciative of IFAD's focus, inter-alia, on small and landless farmers, women and other marginalized communities.

[16] Approved by the Board in December 2005. See www.ifad.org/gbdocs/eb/86/e/listdoc.htm.

[17] See www.ifad.org/gbdocs/repl/9/iii/e/index.htm.

[18] See document GC 35/L.4 at www. http://www.ifad.org/gbdocs/gc/35/e/index.htm.

[19] From around US$790 million in 2009 to US$1.3 billion in 2012.

37. Data from the 2012 ARRI suggest that the performance of IFAD-funded projects is better than the agriculture sector operations of ADB and AfDB and on par with the World Bank's operations. However, it could be argued that the performance of IFAD operations is also better than the agriculture sector operations of the World Bank, if one takes into account that IFAD-funded projects are mostly implemented in remote rural areas (often with limited infrastructure, weak institutions, and difficult access to services and markets).

38. The performance of IFAD-financed projects has improved considerably since the IEE along most evaluation criteria. However, independent evaluation data indicate that not all targets set for the Eighth Replenishment period have been met.[20] In particular, project efficiency is the area where performance lags manifestly. The 2012 Results Measurement Framework (RMF) target was that 75 per cent of projects completed would be assessed as moderately satisfactory or better for efficiency. However, only 55 per cent of projects evaluated in 2009-2011 are moderately satisfactory or better in terms of efficiency.

39. Project efficiency is, in fact, among the weakest performing evaluation criteria. Problematic areas bearing on project efficiency include deficiencies in project designs such as excessive complexity and lack of readiness for implementation, weak monitoring and evaluation (M&E) systems undermining early identification of unforeseen problems, and slow response to issues emerging during implementation. However, it is worth noting that recent improvements in IFAD's own performance as a partner (see ARRI 2012) might, over time, lead to better project efficiency, given that IFAD's own performance is one important determinant of project efficiency (the other being government performance).

40. Adequacy of attention to project efficiency has been an issue. In turn that reflects an insufficient skill mix in task teams, and the need for better appreciation by staff and managers of the potential contribution of economic analysis to improved project designs. Appointment in January 2011 of a full-time adviser in the Policy and Technical Advisory Division to improve economic and financial analyses of IFAD-supported projects is a step in the right direction, but will take time before its full impact is visible.

[20] The The Report on IFAD's Development Effectiveness (RIDE) also reported on performance against IFAD8 targets. The RIDE however is largely based on self-evaluation data.

41. Further, analysis of independent evaluation data on project efficiency and performance shows that: (i) performance is variable depending on country context (for instance, if disaggregated according to the World Bank's country policy and institutional analysis index). In particular, performance is weaker in fragile states and sub-Saharan Africa, as compared to other country categories (middle-income countries) and regions (e.g. Asia and the Pacific); (ii) a large number of projects have a moderately satisfactory performance[21] in most evaluation criteria. In particular, only about a quarter of the evaluated projects are rated "satisfactory or highly satisfactory" for efficiency; (iii) projects that are satisfactory or highly satisfactory in terms of efficiency also show better results in terms of overall project achievement,[22] sustainability and scaling up; and (iv) as mentioned earlier, project efficiency ratings are closely correlated with IFAD's own performance, suggesting that how IFAD does its work makes a difference to project efficiency and outcomes.

42. The aforementioned points to the need for IFAD to "raise the bar" vis-à-vis its own performance, to foster better efficiency for the projects supported by the Fund. Projects rated as satisfactory or highly satisfactory are more likely to be scaled up by other partners, for wider impact on rural poverty. Although over the past few years IFAD's own performance has improved considerably (see ARRI 2012), both independent and self-evaluation data suggests that it is satisfactory or better in less than half of the projects.

43. A higher share of "satisfactory or better" IFAD performance and a sharper focus on the testing and incubation of creative and innovative technological and institutional solutions to the myriad problems faced by the rural poor are essential for IFAD to become a global centre of excellence for smallholder agriculture development. This is an aspiration IFAD can achieve in the future, provided its ongoing institutional reform processes are further intensified. The improved performance will also help IFAD towards achieving its commitment of removing 80 million people out of poverty by end 2015.

[21] IFAD has adopted a six point rating scale, where 1 is the lowest score and 6 is the highest (1-highly unsatisfactory, 2-unsatisfactory, 3-moderately unsatisfactory, 4-moderately satisfactory, 5-satisfactory, and 6-highly satisfactory).

[22] Overall project achievement is a composite evaluation criteria based on an assessment of project relevance, effectiveness, efficiency, rural poverty impact, innovation and scaling up, sustainability, gender equality and women's empowerment.

44. With regard to country programmes, IFAD is making an important transition from focusing mostly on financing individual investment projects to a more integrated approach to country programming, with increased attention to non-lending activities (policy dialogue, KM and partnership-building) for scaling up. This is designed to ensure that the diverse range of IFAD activities collectively contribute to enhanced results on rural poverty reduction at country level. The introduction of results-based country strategic opportunities programmes (COSOPs) and the associated processes is part of this integration.

45. Five core issues constrain IFAD's efficiency and performance, both at the project level and at the country programme level. First, given the diversity of its clientele and the demand-driven nature of its assistance, IFAD requires a reasonably large menu of choices to be responsive to its members' needs. However, this has led to IFAD operations manifesting insufficient **thematic selectivity** and operations in too wide a range of subsectors. IFAD works in around 15 subsectors, and tracks and reports on more than 60 results areas. In several of them, analysis shows that total IFAD support over 2001-2010 amounted to less than US$25 million each. This is too little to build adequate in-house expertise and a critical mass of technical skills in the related areas.

46. IFAD is spreading itself too thin, especially taking into account its evolving priorities towards partnership with the private sector, deeper engagement in policy dialogue at the country level and scaling up. Thus, there is a need for greater thematic selectivity to achieve better efficiency and effectiveness, and purposeful partnerships reflecting a more explicit division of labour that would allow IFAD to build the required critical mass of expertise in areas most important to its clientele.

47. Second, **country selectivity** is also an area that merits attention. Country selectivity can help enhance institutional efficiency. This however will need to be carefully reconciled with IFAD's mandate of working in all regions. Moreover, although IFAD's performance-based allocation system (PBAS) reflects adequate poverty focus, it could be aligned better with IFAD's scaling-up agenda. In particular, it should be reasonable to expect higher cost-sharing from the middle-income countries (MICs) thereby expanding the overall size of the POLG and the resources available for the poorer countries. Data from IOE evaluations suggest that this has not been the case consistently.[23]

48. Furthermore, IFAD's delivery model does not always take adequate account of differences in country situations. IFAD works in highly heterogeneous country contexts (MICs, fragile states, low-income countries, landlocked countries, small islands and others). They have different requirements and expect different things from the Fund.

49. In this regard, the strategic objectives and development activities outlined in COSOPs, or administrative budgets for analytic work, COSOP preparation, project design, supervision and implementation support, country presence, and non-lending activities generally tend to be similar. They are not sufficiently differentiated to reflect national HR availabilities or institutional capacities, or the degree of national ownership of IFAD's rural poverty agenda. Thus, IFAD activities in MICs should be expected to emphasize knowledge-sharing content. In countries where portfolio performance is particularly weak (e.g. in fragile states), more budget should be allocated for implementation support. Where economic and social policies have an urban bias, policy dialogue may be emphasized. In fact, the need for more differentiated approaches was underlined in the ARRIs in the past.

50. Third, in addition to the need for greater thematic and country selectivity and customization, IFAD could exploit more fully the opportunities offered by **strategic selectivity**. In particular, IFAD needs to actively pursue strategic partnerships in countries with very small PBAS allocations and not favour stand-alone operations in such cases. As a matter of fact, under the Eighth Replenishment, some 30 countries had allocations of US$5 million or less over a three-year period (2010-12). Given the inevitable fixed costs associated with IFAD's project cycle, greater strategic selectivity would enhance the quality of lending relationships as well as IFAD's institutional efficiency.

51. Fourth, IFAD should tap the benefits of **instrument selectivity**. This evaluation confirms the findings from several previous evaluations[24]

[23] For example, counterpart funding from Indonesia in historic terms has been around 13 per cent of total project costs, as compared to 28 per cent in Benin and 27 per cent in Eritrea (ARRI, 2010).

[24] Such as the Joint Evaluation with AfDB on Agriculture and Rural Development in Africa (2010).

that country programming is not yet benefitting from the integration of various services and activities funded by IFAD in a given country. Weak linkages of grants to loan-funded projects, as well as insufficient synergies across the project portfolio, and between the investment operations and other activities (partnerships, policy dialogue and KM) are constraining the overall impact of IFAD country programmes. With limited resources, policy dialogue, KM and partnerships need to be focused in the first instance on scaling up successful operations in countries, rather than pursued as ends in themselves. In this context, they are not new mandates, but a way to achieve IFAD's core mandate of scaling up. That should mean in turn both greater institutional efficiency and improved development effectiveness.

52. IFAD's grants programme is a key instrument for achieving the organization's overall objectives. However, it is not yet delivering to its potential. The programme is not sufficiently linked to country strategies in the COSOPs nor does it provide support to countries for project preparation and capacity-building, a finding also documented in CPEs[25] conducted by IOE. The monitoring and supervision of the grants programme has traditionally been weak, as has the dissemination of findings from grant activities; this limits the opportunities for organizational learning.[26]

53. The Fund is increasingly recognizing that KM is important for better development effectiveness. Results on KM show a steady improvement from around 10 per cent of country programmes being evaluated as moderately satisfactory or better in 2006-2008, to around 70 per cent in 2009-2011. However, there is room for further improvement, as relatively few resources have been allocated to KM, little formal opportunity exists to share knowledge among country programme managers (CPMs), and efforts to learn from failures can be further expanded.

54. Fifth, the country case studies have underlined that **government performance** is one of the key factors affecting the efficiency and overall performance of IFAD-funded projects and programmes. This is important given that IFAD operations are implemented by government institutions and other in-country partners. While government performance in some countries may be satisfactory, government processes are cumbersome (for instance, for the release of counterpart funds or approval of new loans from IFAD) and HR and institutional capacities (e.g. for project preparation and M&E) are weak on the whole. The problem is exacerbated at lower administrative levels,[27] especially in fragile states and low-income countries where IFAD operates. The evaluation finds that IFAD has not done enough in the past in capacity-building, for example, in providing grants for technical assistance for project preparation, implementation, and scaling up IFAD-supported operations. In this regard, the 2012 and previous editions of the ARRI, as well as the joint Africa evaluation emphasized the need for IFAD to enhance efforts to strengthen government performance in the agricultural sector.

55. Last but not least, innovation and scaling up are critical to IFAD's mission. In this regard, IFAD has invested considerably over the past decade in promoting innovations in institution-building, gender equality, women's empowerment and participatory approaches, but less in the development of pro-poor agriculture technology. There are examples of successful innovations that have been scaled up by others, but scaling up in the past has not been pursued in a systematic manner. Serious efforts are now being made by Management to identify pathways for scaling up early on in the COSOP preparation and project design phase. For this objective to be realized in a timely manner, among other issues, greater resources will need to be allocated towards non-lending activities, and staff skills and competencies further strengthened in this area.

56. The innovation and scaling up-driven approach will require rethinking about the nature of the projects supported by IFAD and the way IFAD would judge its performance. In a successful country programme, the majority of projects will be those that replicate, expand, modify, refine and adapt scalable innovations over time with increasing levels of government and third-party financing. However, at the beginning of the cycle, where prototype testing is called for, there may also be a need for smaller, simpler projects based on lighter preparation up front, but with greater support during implementation. They will involve higher risks but also potentially high rewards and will require a cultural shift from risk avoidance to risk management.

[25] See, for example, the Kenya CPE in 2011.

[26] IFAD Management has invested in and is about to launch a new database, which will include basic information on all grants. This will, inter-alia, facilitate retrieval of data and analysis of the grants portfolio.

[27] At the state, provincial and district levels.

57. **Programme management.** Over the years, with a view to enhance the quality and impact of its operations, IFAD has filled gaps in policies, strategies and guidelines that were identified by the 2005 IEE. Staff now has access to reference documents for programme development and management. However, a review of key corporate policy documents submitted to the Board over the years, including policies on targeting and grant financing, reveal that new policies/strategies often do not realistically take account of implementation costs or HR implications. This may compromise efficiency and effectiveness in the delivery of corporate policies/strategies.

58. In 2007, IFAD made what is probably the most far-reaching change to its operating model since bringing project design in-house in the 1990s. Following the results of the CLE on the Direct Supervision Pilot Programme (2005), the Board agreed to Management's request to introduce DSIS as a regular feature. In a relatively short period, nearly all projects benefited from DSIS. DSIS also allows staff to learn more directly about rural poverty issues and feed the knowledge back into COSOP preparation and the design of new projects and implementation of ongoing operations. Direct supervision and implementation also allows for more staff attention to IFAD's priority issues such as gender, participation and targeting, and provides an opportunity for staff to engage in country level policy dialogue and partnership-building.

59. However, IFAD is still dealing with the implications of the transition to the new operating model and a number of issues limit the effectiveness of IFAD operations. IFAD's core in-house technical skills are insufficient to allow systematic participation of technical staff on key missions; team composition is dominated by consultants, reducing both institutional consistency and learning by staff; team leadership is still often outsourced to consultants (though PMD is actively making efforts to change this); quality assurance (QA) of supervision deliverables at key stages quality assurance such as midterm reviews is improving but still needs more attention; and there are significant workload implications for CPMs arising out of new initiatives, not all of which are funded (e.g. scaling up, policy dialogue, private-sector partnerships, etc.). These issues combine to make it difficult for IFAD to meet the requirements of quality management expected under the new operating model. Addressing these issues may however also require additional expenditures. This will affect short-term output efficiency, but may be necessary to achieve longer-term impact efficiency. In fact, the need for far greater selectivity is partly linked to this fact – that higher unit costs for supervision and project design are likely to be needed to deliver on IFAD's mandate of excellence, creativity and innovation, which is necessary for greater impact efficiency.

60. Country presence is another far-reaching change in IFAD's operating model. Again, based on the results of the CLE of the Field Presence Pilot Programme (2007), the Board agreed to the establishment of a limited number of country offices in each region. Currently, around 40 IFAD country offices are operational in different regions. IFAD's approach to setting up country offices has been different from other international organizations: in most cases IFAD has preferred to explore co-hosting arrangements, especially with other United Nations organizations (in particular FAO and in some cases the World Food Programme) and tried to contain costs by limiting asset accumulation.

61. In recent years, IFAD has also taken a more systematic approach to establishment of country offices – including issuing comprehensive guidelines for IFAD country offices and incentives for the outposting of CPMs. An interdepartmental coordination group was also formed in 2012 to ensure the more orderly setting up of country offices, and to ensure that their requirements are met in a timely manner.

62. Independent evaluations repeatedly highlight the wide-ranging benefits of IFAD's country presence. The evaluation agrees that IFAD's expansion of country presence and the so far limited outposting of CPMs has been highly beneficial to furthering its mandate and policy priorities for the IFAD9 period (e.g. in terms of more emphasis on implementation support and policy dialogue aimed at scaling up). It should be recognized, however, that outposting of CPMs is relatively slow and does not yet appear to be driven by a coherent country-specific strategy and priority. On the other hand, depending on the unit costs of high-quality, locally recruited staff, the expansion of IFAD's country presence could lead to cost pressures in the future, unless decentralized decision-making and countervailing savings (e.g. in travel costs and, particularly, offsetting reductions in staff at headquarters) can be identified and implemented. Further efforts in taking into account, on a case-by-case basis, the costs as well as the benefits of expanding country presence and deploying CPMs in country offices has become an efficiency imperative.

63. For example, a more radical decentralization strategy might unleash creativity and innovation. However, it could be costly and it would have major implications for IFAD's operating model, corporate business processes, HR management, performance evaluation systems, and information and communication technology (ITC) requirements. An assessment of management roles at headquarters and the field as well as what functions and decisions would be more effectively and efficiently made in the field needs further attention. The tradeoffs between maintenance of common culture, institutional perspective and learning across units versus responsiveness to country circumstances are real. Future stages of country presence expansion will therefore have to be designed with care to ensure that both effectiveness and efficiency considerations are carefully considered.

64. The Fund revised and introduced a comprehensive quality-at-entry system in 2007/2008, aimed at improving the quality and process of project design. In particular, an arms-length QA group was established by the Vice-President's (VP's) office. This function was transferred in 2012 to the Strategy and Knowledge Management Department. However, the practice of a heavy quality enhancement (QE) review, followed by a QA review prior to approval is costly and cannot substitute for building quality into original designs by injecting quality field input by IFAD technical staff, both at the design stage and during implementation. The recent (2012) streamlining of the QE process goes in the right direction, as it allows more participation of technical advisers in project design and supervision missions. It would, however, also be worthwhile to review the QA function in light of the modified QE process.

65. The outputs of CPMs vary considerably, and the lack of mechanisms to balance workloads through cross-country or cross-regional support reduces efficiency in the deployment of staff and budgets. CPMs still tend to work in silos, a trend also noticed by the IEE, and they have few opportunities to share their knowledge and experiences with other CPMs proactively and systematically, especially across regional divisions.[28]

66. The role and accountability of regional directors for the quality and long-term impact of the regional programmes is not clear, especially in light of the out-posting of CPMs. In this regard, for example, the evaluation found examples where regional division directors have not provided sufficient guidance and oversight in the preparation of COSOPs and other deliverables. Though this might not be systematic across all regions, it is an issue that merits consideration in the future.

67. Finally, over the past few years the organization has devoted unprecedented attention to portfolio performance reviews and management, underpinned by a comprehensive and improving self-evaluation system. This is essential, and reflects a welcome change in culture and emphasis from an "approval mind-set" in the past to a more "results-oriented" focus.

68. **O&S functions.** Given that these functions have important implications for IFAD's institutional efficiency, Management has undertaken a number of initiatives in recent years to reduce costs, contain unit budgets, and improve the capacity of O&S units. Under IFAD's Eighth Replenishment period (2010-2012), Management's main instrument for improving efficiency was the Change and Reform Agenda. More recently, Management made key commitments to improve cost and process efficiency over the IFAD9 period (2013-2015). Measures implemented for O&S units in connection with the Change and Reform Agenda include: (i) real budget growth for support activities (Clusters 3 and 4) constrained to zero or near zero; (ii) a new Investment Policy, introduced in 2011 to strengthen management and oversight of portfolio performance and risks; (iii) external reviews carried out in 2010 and 2011 of the Controller's and Financial Services Division (CFS), Treasury Services Division, Human Resources Division, ICT Division (ICTD) and the Office of the Secretary's (SEC) Member Relations and Protocol Services Unit; and (iv) a new financial management model, which comprises the introduction of a new loans and grants management business model; updated policies and procedures, including risk-based controls and disbursements; greater use of automated processes; and development of adequate financial skills among CFS staff. However, it is too early to assess these measures from an efficiency perspective.

69. The evaluation found that IFAD spends a larger share of its administrative budget on its O&S units than most of its comparator institutions. The higher spending is partly due to IFAD's small size, but is also due to the relatively high costs of some divisions such as SEC, Communications and Administration, as well as minimum institutional and operating requirements for some O&S services. Changes in organizational

[28] For example, one platform for knowledge sharing is the "CPM forum" held a few times per year.

structure between 2000 and 2012, made with the objective of greater management effectiveness, have increased managerial and overhead costs due to substantial expansion in the number of organizational units, particularly O&S units.

70. While Management has sought efficiency gains principally by constraining the budgets of O&S units, actions in different areas have not been articulated within an overall strategy focusing on the underlying cost drivers, the trade-offs between output efficiency and outcomes, and the potential for outsourcing and delegation to country offices. Without emphasis on the underlying cost drivers and adequate capital and administrative budgets for mission-critical activities such as ICT, this approach risks eroding quality and service standards and could lead to shifting some O&S service delivery to front-line units.

71. Output efficiency is held down by cumbersome corporate business processes and tight ex ante controls. For example, notwithstanding the reforms undertaken in 2012, IFAD's travel module includes 43 process steps from beginning to end. Procurement of services through institutional or commercial contracts has many steps, is unclear and extremely time and labour-intensive.[29]

72. The processing of withdrawal applications and time taken for loan disbursements is lengthy as compared to other IFIs. This was found, for example, in the recent Indonesia CPE, and is partly due to its Rome-centric nature and limited capacities in, and delegation of authority to, IFAD country offices for routine functions. Final financial settlements (e.g. for travel) for staff and consultants are lengthy. The evaluation therefore underlines the need for deeper reforms of corporate business processes as a priority area for enhancing IFAD's efficiency through capital and administrative investments in a well-designed ICT platform. This would also contribute to improving the Fund's Professional (P) to General Service (GS) staff ratio in the future.

73. An important step has been taken to develop a vision for ICT services for the period 2011 to 2015 to enhance its core capabilities to support IFAD with better access to infrastructure, online communications and collaborative tools. However, unlike its comparators, IFAD has not made much progress in using ICT to leverage staff capabilities. Inadequate governance and a lack of clear ICT strategies to implement the vision have resulted in a stop-and-go approach. Insufficient planning for operations, maintenance and upgrading have led to under-investment in ICT, insufficient outsourcing and inadequate staff skills in-house.

74. The ICTD has focused on routine maintenance of ICT services rather than being a strategic partner supporting the transformation of business processes. A narrow focus on cost reduction, as reflected in the elimination of the help desk and staff training, risks impairing outcomes. IFAD's overall efficiency, in turn, is hampered by inadequate ICT services, including the lack of integrated and interoperable systems, information standards, easy access to enterprise information, and efficient search-and-analysis functions.

75. **Results and budget management** are other drivers of institutional efficiency. The attention to measuring and reporting on results is increasing both within IFAD and its Member States. Since the IEE, IFAD has invested in a comprehensive results management framework that is aligned with the replenishment cycle. Since end-2006, each country strategy document has a results framework, with provisions for annual reviews, a midterm review and a COSOP completion review. Projects are required to have a logical framework, with clear and measurable indicators, ensuring that the Results and Impact Management System (RIMS) indicators are also adequately covered. Client surveys at the country level are undertaken periodically to collect client perspectives on the performance of IFAD across numerous indicators.

76. Each year at the December EB session, IFAD Management reports (through the RIDE) on performance against the main indicators covered by the corporate RMF, agreed with Member States. Quarterly performance reviews are held internally during the year, as a means to track progress and make mid-course adjustments as and where needed. Over time, and as mentioned earlier, efforts have been made to strengthen the self-evaluation system. For example, project status reports (PSRs) are prepared once a year during implementation, providing a summary of project performance. The RIMS surveys, though variable in quality, generate a fair amount of data that is used for reporting project performance. Direct supervision since 2007 has supported the results agenda, by ensuring greater focus on collection of data in key areas of concern to IFAD.

77. Several factors constrain the efficiency and usefulness of IFAD's results measurement. It is overly complex. Many indicators and different

[29] In 2013, Management issued revised guidelines for institutional contracts with the aim of enhancing efficiency and clarity of procedures in this area.

layers in the system are not fully aligned, which makes aggregation of results difficult and casts doubts about the reliability of reporting on performance in some areas. The CLE on gender in 2010 found that different indicators tracked in COSOPs, RIMS, PSRs and project completion reports (PCRs) (e.g. gender equity, women's empowerment, gender equality) cannot be aggregated due to the different underlying development concepts they represent. There are other examples along these lines.

78. Baseline surveys are needed for any results evaluation, but are not always conducted in a timely manner, and in several projects, not done at all, often because the funding comes from the project funds and is not available until after the project is approved. Project M&E systems are often overdesigned, especially in light of local capacities, and reporting on outcomes and impact levels of the results chain remains weak because of this. This is however a challenge faced also by other development organizations. The quality of PCRs varies, and the RIMS indicators are often not properly or fully reflected in project-level M&E systems. IFAD's RIMS reporting requirements often pose an extra burden on project authorities as they are required to track and report results to a single donor (IFAD), thereby increasing their transaction costs in contravention of the provisions of the Paris Declaration on aid harmonization and alignment with country systems.

79. With regard to COSOPs, annual reviews are not being performed across the board, and COSOP midterm reviews are often done late and can be of low quality. Moreover, COSOP completion reviews have not yet been introduced as required by the guidelines for results-based COSOPs approved by the Board in September 2006. Such reviews would give Management and Board an overview of the achievements of country programmes (beyond individual projects) at the end of each COSOP period.

80. In fact, measuring and reporting on overall achievements of IFAD activities, in particular country programmes including the extent to which policy dialogue, KM, partnership-building and grants are having a synergistic impact aimed at supporting scaling up, has not received the necessary attention. On this topic, once COSOP completion reviews are introduced, IOE could embark on their validations (as for PCRs). This would further align IFAD's overall evaluation system with the MDBs and increase the robustness of results reported both by Management and IOE.

81. Finally, there is little evidence that IFAD's results framework effectively guides planning decisions and accountability, starting from the impact and outcome end of the results chain, or that work programmes are based on adequate strategic selectivity informed by results.

82. Probably for the first time, IFAD is making progress in instilling a stronger budget management culture. More attention is being devoted to budget formulation, monitoring, execution and reporting. The 2013 budget process resulted in strategic shifts totaling US$9.4 million (6.5 per cent of IFAD's total budget) across departments, with a view to strengthening some business units and containing other costs. The 2013 budget has also enhanced transparency in the funding of recurrent costs (e.g. several staff positions and some ICT costs) through the annual budget instead of the previous practice of using a part of the management fees from supplementary funds.

83. For several years, resources have also been increasingly shifted towards Cluster 1 (country programme management, project design (loans and grants), and supervision and implementation support), which is the core area of IFAD's work for achieving impact on rural poverty. Some additional resources are also being provided to Cluster 2 (high level policy dialogue, resource mobilization and strategic communication), which is also critical for meeting the commitments in the Ninth Replenishment period. These shifts in resource allocation deserve to be commended.

84. The evaluation finds that IFAD's results-based budgeting practice could be further improved to provide stronger links between budgets and work programmes and deliverables and expected and actual results. For example, the RIDE and ARRI, IFAD's two annual corporate documents that report on results and lessons learned, are considered by the Board only after the latter considers the POLG (and administrative budget) for the subsequent year. These factors lead to weak accountability for results and for managing budgets and people accordingly.

85. Improving results-based budgeting will fundamentally depend upon the preparation of work programmes informed by results and through greater autonomy of budget management and accountability for results at the department level, as well as stronger links between work programmes, deliverables and budgets; the latter in turn will require significant enhancements in current cost information systems.

86. Budget allocations do not appear to be transparently based on priorities or on trade-offs across and within departmental work programmes, with a medium-term results perspective. IFAD introduced the first Medium-term Plan (MTP) in 2010 for 2010-2012 (and the second one for 2013-2015 has also been prepared) to address this deficiency, but it has not as yet served to provide adequate guidance on strategic selectivity for work programmes and budgets in the medium term. In the absence of an effective medium-term budget framework, budget planning is done with a one-year horizon, which is suboptimal for results-based budgeting in a development organization. Accountability for budget management has been weak due to the absence of an iterative top-down and bottom-up process of aligning work programmes and budgets during budget formulation. Improvements in prioritization and trade-offs in budget allocations were made during the 2013 budget formulation (carried out after the completion of the CLE review), which required business units to decide on trade-offs within a flat nominal budget.

87. The absence of an integrated review of work programme delivery and budget used in the past, timely reporting to the EB on such reviews and meaningful key performance indicators contribute to major gaps in IFAD's efficiency. This is also partly attributable to the fact that budget data on actual expenditures (especially staff costs) is not easily retrievable from the supporting information systems, which constrains timely decision-making. Starting in 2011, however, Management made a concerted effort to undertake detailed mid-year budget reviews and track budget execution on a more frequent basis. This has allowed the organization to make reallocations, as needed, during the year for better results.

88. IFAD's corporate budget function is significantly understaffed and therefore highly stretched in executing its functions, and lacks the necessary seniority, visibility and influence to perform the required corporate oversight and analysis. This is also limiting the contribution of the budget function towards results-based corporate strategic planning and budget formulation and implementation. It is however noted that recently the Budget and Organizational Development Unit was moved directly under the VP.

89. **Managing people.** HR management is a core dimension of IFAD's institutional efficiency and has been a persistent challenge for IFAD for more than a decade. The lack, until recently, of continuity at the head of the HR function has exacerbated matters and made it harder to achieve sustained focus and progress.

90. As a specialized agency of the United Nations, IFAD has traditionally followed the recommendations of the International Civil Service Commission applied across the system – including in the Rome-based United Nations organizations. IFAD has adopted the salary scales and associated benefits packages and pension scheme available to United Nations staff, which is different from and arguably less flexible and competitive than the systems adopted by other MDBs.

91. The CLE recognizes the scope and ambition of the current HR Reform component of the Change and Reform Agenda introduced in 2009, which includes key measures with the aim of better people management and staff performance. The pace of implementation of the reform has picked up under the leadership of the new division director appointed in 2011.

92. In addition to the reform agenda, IFAD has been making progress in recent years to ensure better people management. Some of the positive key features introduced include: incentives for outposting staff from headquarters to the field; more resources allocated to corporate training; the introduction of induction programmes for new staff; a rigorous staff recruitment process that ensures the system is transparent and merit-based; a field immersion programme for staff not working in operations; and the production of new staff and non-staff rules. Finally, in 2012, IFAD completed an extensive job audit and strategic workforce planning exercise, which could be a significant step forward towards achieving efficiency gains in workforce composition and allocation. Important areas of people management continue to require attention, most importantly that of performance management.

93. In this regard, IFAD has a cutting edge staff performance evaluation system in terms of design and process, which is well supported by the Human Resources Division. However, the performance evaluation system is not yet assisting the organization in managing for performance, which is critical to enhance overall efficiency. Most staff annual performance ratings fall in the category of fully satisfactory, with some being rated as superior or outstanding, but very few as partly satisfactory or unsatisfactory. This reflects a risk-averse approach to performance management in general and a desire to avoid the formal grievance process (internal and external).

Such an approach to performance management limits repercussions for non-performers and with it incentives for high performance, as staff do not see tangible awards for exemplary performance.

94. IFAD's operating model has evolved over the past years, for instance, with the introduction of direct supervision and implementation, greater attention to scaling up and private sector engagement, and more emphasis to non-lending activities, including policy dialogue at the country level, partnership-building and KM. The evolution of the operating model implies that staff (especially CPMs) are being asked to manage processes and activities for which they may not be adequately prepared. This is constraining the delivery of results (e.g. on policy dialogue at the country level), and is an area that needs to be addressed rapidly if IFAD is to meet its commitments for the IFAD9 period and beyond.

95. Another area highlighted by the evaluation is related to the use and management of consultants. As reported earlier, IFAD is overly dependent on consultants for core operational activities, and compared with other IFIs, consultants are a larger part of IFAD's overall workforce. Yet the process for their selection is delegated mostly to the hiring division, often to the CPM, with little institutional oversight over the caliber of consultants hired, as compared with the rigorous and transparent staff selection processes aimed at enhancing staff quality-at-entry. This practice exposes IFAD to inefficiencies and risks the quality of its outputs. In spite of some recent adjustments in 2013, IFAD's consultancy fee rates have not kept up with those of other MDBs. This limits the organization's capacity to mobilize world-class experts, especially in specific areas of IFAD's new operating model, and translates into a high number of rate exemptions, further contributing to a lengthy approval process and inefficiencies.

96. IFAD's workforce (staff and consultants) costs constitute 80 per cent of the administrative budget. Staffing demographics are driven by low voluntary turnover, partly explained by an attractive Rome location. This has resulted in a top-heavy grade structure at both the the P and GS levels. Natural attrition offers scope to bring in the desired mix of skills within the current workforce. The high ratio of GS to P staff relative to comparators is due to underinvestment in ICT and automation. Expanding IFAD's country presence, accompanied by local staff expansion, could help lower per capita staff costs assuming responsibilities and functions are devolved to country offices. However, there is little evidence yet of reductions at headquarters to offset increases in staff in IFAD country offices. A recent decision to cut back on recruitment of new GS staff in PMD at headquarters is a step in the right direction.

97. **Organizational structure, leadership and decision-making.** In the past few years, IFAD has devoted budget resources towards strengthening its organizational structure through the creation, inter-alia, of the Strategy and Knowledge Management Department, Financial Operations Department, Corporate Services Department, Environment and Climate Division, Resource Mobilization and Partnership Office, Statistics and Studies for Development Division, and the Ethics Office. This was mostly intended to contribute to institutional effectiveness. It is too early to conclude whether these new departments will also impact positively on efficiency.

98. IFAD's top leadership is championing efficiency improvements, which is important to ensure the required momentum. However, staff do not always understand or appreciate the institutional rationale for efficiency gains and there is understandable resistance to adjustments in staff benefits and entitlements.

99. With a view to strengthen the reform agenda, the IEE recommended the appointment of a managing director. IFAD Management did not agree with this recommendation of the IEE and expressed the view that "…the intended results would be better achieved by strengthened senior management oversight and direction". A majority of interviewed senior managers indicated that the VP's role, which was clarified and strengthened with the last appointment, had not functioned in practice as intended. Reconsideration of the VP's role may now be necessary in light of the growth of the organization, including four departments headed by individuals at the assistant secretary-general rank, and five divisions (within the Corporate Services Support Group) and the Ethics Office. The vacancy of the VP position presents an opportunity to reconsider this function with an eye to enhancing the efficiency of executive decision-making.

100. The Executive Management Committee (EMC) and Operations Management Committee (OMC) were established in 2009 to enhance the accountability of managers, departmental and divisional coordination, and transparency and efficiency in decision-making. Transparency has improved considerably, but coordination across units to achieve corporate objectives is still weak. The committees evolved toward significant

overlap and duplication, leading to inefficiency, and contributed to upward delegation and diffused accountability. However, the structure, composition and mandate of the OMC was reviewed in 2012 and modified with the aim of addressing the above issues. While it is too early to assess these actions, their successful implementation would demonstrate more substantive authority being delegated to line managers rather than "delegated upwards" for committee decisions and enhanced institutional coordination and decision-making.

101. IFAD has long been characterized by cumbersome decision-making, with an unusually high share of routine decisions well within the responsibility of line managers delegated upwards (sometimes to various committees), diluting their authority and accountability. This limits institutional efficiency. Currently, many staff members are in quasi-managerial roles, without clear accountability. CPMs appear to enjoy near total autonomy in some respects, but their accountability is not clearly defined, a finding that the IEE had also underlined. This is partly attributable to limited supervision, mentoring and quality control by regional division directors, as already mentioned earlier.

102. Weak managerial accountability stems in part from the lack of a clear accountability framework and performance expectations. Substantive delegation of authority is limited and focused on compliance. The revision of the IFAD Manual and Framework for Delegation of Authority, completed in December 2011, introduced new delegation of authority, and further work is planned to flesh out roles and responsibilities.

103. The roles and responsibilities of the Office of the General Counsel (LEG) have been strengthened since 2008/09 and its support to operations is, on the whole, satisfactory. Feedback within IFAD noted that LEG is required to clear numerous internal and external documents, and it would be useful to clarify the occasions when legal opinion and clearances are actually needed to take a process forward. The ongoing internal audit by IFAD on the efficiency of legal processes is likely to provide further insights that could help streamline legal processes in IFAD.

104. **IFAD Governing Bodies.** As a specialized agency of the United Nations and an IFI, IFAD has a complex governance structure, with a GC, and an EB with standing subsidiary bodies, namely the Evaluation and Audit Committees. Triennial replenishment consultations are held, at which Member States agree on new policy directions and decide whether and how much to contribute. The Fund's Member States are divided into three Lists: A – Organisation for Economic Co-operation and Development countries (OECD); B – Organization of the Petroleum Exporting Countries (OPEC) countries; and C – developing countries. The governance structure works by giving voice and allowing representation of distinct constituencies. However, there are opportunities for improvements in the functioning of the Governing Bodies. Improvements in effectiveness – more so than the efficiency with which they function – have significant implications for the institutional efficiency of the organization as a whole.

105. The GC is the supreme governing body, which meets once a year in Rome, with the participation of governors from all IFAD Member States. This is similar to the practice in other IFIs. The GC has important statutory roles to discharge, including approval of the organization's annual administrative budget, election of the IFAD President (every four years), and adoption of the replenishment resolutions. The GC provides Member States with the opportunity to interact, meet with IFAD staff and Management, and gain a close insight into the organization and its work.

106. At the same time, the GC has not been the platform at which major debates have taken place; an exception is the election of the President. The discussions leading to the approval of the annual budget or the replenishment resolution have been fully prepared in the EB and the Replenishment Consultations respectively.

107. The format of the GC has evolved over the years, with more attention and space to the organization of panel discussions and side events on key topics related to global agriculture and rural development. This has been appreciated by many Member States, but has reduced time for governance issues and related business items.

108. The GC was held at IFAD headquarters for the first time in the organization's history in 2010. This facilitated logistics and administration, and helped to contain direct costs. However, the evaluation raises the question whether it is essential to hold the GC on an annual basis. Holding the GC less frequently (e.g. every two years) would save further resources and would only require Governors to delegate authority to the Board of some recurrent functions (e.g. approval of the Fund's annual administrative budget).

109. The replenishment consultation meetings are held every third year.[30] Major decisions on future organizational, strategic and policy change are usually taken as the outcome of the triennial replenishment consultations. These are the occasions when Board representatives have an opportunity to focus the attention of their authorities on issues facing IFAD and to shape its policy agenda.

110. For the first time since the establishment of the organization, IFAD9 saw the preparation by Management of a midterm review of the commitments from the previous replenishment (IFAD8), which allowed Member States to discuss in real time the progress made by the Fund. As another innovation, the Consultation was facilitated by an independent external chairperson. This proved to enhance the efficiency of the overall process, as it also allowed the President (who chaired all previous sessions) to focus on articulating IFAD priorities for the replenishment period.

111. The EB is non-resident and meets three times a year, usually for a two-day session. The low frequency of Board meetings and its non-resident nature are well suited to IFAD's needs, as a resident Board as in other IFIs would add to administrative costs of the organization. However, because many IFAD Board members are Rome-based, and also represent their country in the governing bodies of FAO and the World Food Programme, they are not always able to devote sufficient time to review Board documents and engage fully in all Board deliberations. This is especially a concern for most List B and List C Member States. This impinges on the effectiveness of the Governing Bodies, as members might not find time to seek the required clarifications on specific issues ahead of Board meetings and raise issues directly in the Board that can be clarified outside the formal meetings.

112. Meetings are carefully structured and current chairmanship is strong. However, the evaluation finds that the Board agendas are overambitious, and there is relatively little space for discussion on results, policy and strategy, evaluation and lessons learned, as compared to the amount of discussion on process and input-oriented documents. The IEE came to a similar conclusion and recommended a shift in balance towards the former type of topics.

113. One way to free up space on the Board's agenda would be to delegate authority to the President to approve new loans and grants. A system could be put in place for the Board to discuss specifically innovative projects or other subjects of particular interest, but this would be an exception rather than the rule. This is consistent with the recommendation of the IEE and it would lead to cost savings, including in the translation of documents.

114. On another issue, the evaluation notes the lack of a Code of Conduct for Board members – a normal integrity requirement in other IFIs. For example, there have been instances when IFAD Board members have applied for staff positions at IFAD. There is no reason why Board members should not be allowed to join as staff members through the regular competitive process, but as in other institutions, this should be allowed only following an established "cooling off" period after completion of their Board assignment.

115. The heterogeneity of the background of IFAD Board members – due to its hybrid nature as both a specialized agency of the United Nations and an IFI – enhances diversity of views and perspectives in the deliberations. At the same time, IFAD also lacks guidelines for the qualifications (e.g. in terms of experience and expertise) of Board representatives in contrast notably to other IFIs. Though sovereign Member States are entitled to nominate anyone they deem suitable as their Board representative, the introduction of broad guidelines to facilitate the selection by Member States of their Board representatives could contribute to the quality of the debate and efficiency.

116. There is one further structural issue that is worth reflecting upon to make the Board more efficient. Currently, only the Board representative or his/her designated representative is permitted to take part in Board meetings. There have been instances when the Chairs of the EC and/or AC have been based in their country's embassy in Rome, but are not the designated Board representative. This has caused challenges during Board meetings when the actual Board representative attends, as the Chairs of the Committee under the above circumstances would not be allowed into the Board session, unless the Board representative vacates his/her seat. This limits efficiency and effectiveness, and could be easily resolved if Committee chairs were allowed ex-officio access.

[30] IOE will undertake a CLE devoted to IFAD replenishments, to be presented to the Board in December 2013. As such, the efficiency evaluation has not treated the replenishment platform in any detail.

117. The AC and EC are functioning well, and their terms of reference were recently revised and approved by the Board. The Committees do not have decision-making authority, as they are advisory organs of the Board. Both committees play crucial roles in examining more thoroughly documents that are also presented to the Board. In addition, they review other important documents that are not placed before the Board. All EC documents are made public on the IFAD website, which is not the case for the AC. This might be worth considering to strengthen efficiency in communication, transparency and accountability.

118. The evaluation finds that, in line with the trend in the financial and business sectors in general, the AC should consider acquiring outside professional/technical expertise to support its oversight of IFAD's finances. The EC plays a critical role in reviewing results and lessons from independent evaluations, and advising the Board on actions to strengthen IFAD's development effectiveness and efficiency. The constructive interaction between IFAD Management and IOE provides the Committee with much of the input it needs to assess strategic issues. However, the reports of the two Committees to the Board do not always indicate clearly the recommendations they would like the Board to adopt and remaining controversial issues for the Board to consider. To do so systematically would allow the Board to focus on selected issues and enhance efficiency.

119. Given the Board's non-resident nature, IFAD has an informal mechanism for ensuring continuity of dialogue among Member States and IFAD Management between Board meetings, known as the "List Convenors and Friends". Important matters are raised and often resolved through this platform. However, it remains an informal platform. It may be worth considering establishing a practice of documenting decisions in the minutes of their meetings to provide transparency to the process as well as improve flow of communication and information, as is done by the other subsidiary bodies of the Board.

120. SEC plays a useful role and provides timely support in servicing IFAD Member States, and in organizing meetings of all Governing Bodies. However, despite the low frequency of Board meetings, SEC costs are high relative to comparators, partly driven by expenditures for translation of documents and interpretation into four official languages. In this regard, the Board has recently adopted a proposal to reduce the costs of operation of Governing Bodies, including the costs of SEC, in line with Management's core commitment under IFAD9 to reduce these costs.

121. There is one final issue that merits reflection. This concerns the classification of IFAD Member States into three Lists (A, B and C). This is a fundamental question, as the List system has far-reaching implications for governance, voice and representation, and therefore effectiveness and efficiency of the entire Governing Bodies architecture of IFAD. The List system (or Categories I, II and III as they were previously called) was appropriate when IFAD was established. However, it might be worth considering whether the List system is still relevant in today's global context, especially in light of the economic, developmental and geopolitical evolution of IFAD Member States over the years. The evaluation has not dwelled on this extensively, but it is a topic that has efficiency implications and will need to be addressed in the future.

122. **Indicators to assess project and institutional efficiency.** As noted earlier, IOE has adopted the OECD/DAC definition for efficiency, and the IOE Evaluation Manual contains a series of questions that each evaluation addresses to assess and rate project efficiency. Moreover, in light of the harmonization agreement signed by IOE and IFAD Management to align the independent and self-evaluation systems in IFAD, Management also adopts the same indicators to assess project efficiency. The definition and indicators adopted by IFAD for assessing project efficiency are consistent with the 2012 Good Practice Standards of the Evaluation Cooperation Group of the Multilateral Development Banks for Public Sector Evaluations.

123. However, there are opportunities to better apply the indicators in both independent and self-evaluations to gain an even more accurate understanding of performance at the project level. An important challenge for better assessing project efficiency is the limited availability of baseline data, as well as data on outcomes and impacts captured by project level M&E systems. This constrains evaluations in calculating economic rates of return at project completion. Therefore, the main constraint in assessing project efficiency is not the quality of indicators adopted by IFAD, but rather the application of methods and lack of readily available data for independent and self-evaluations to rely on.

124. Institutional efficiency was explicitly reflected in the Board's decision in 2005 to introduce an institutional efficiency ratio – the percentage of

IFAD's annual administrative budget in relation to the US$ value of its programme of work of loans and grants. It was decided that this percentage should not exceed 17.1 per cent, and IFAD was required to work towards reducing the ratio over time with a target of 13.5 per cent by 2012. The efficiency ratio in 2012 was 11 per cent, which is well within the target established by the Board.

125. Management made a number of commitments during the Consultation on the Ninth Replenishment of IFAD's Resources in 2011 to improve IFAD's institutional efficiency. Furthermore, new outcome and reach indicators and targets for operational and institutional efficiency have been included in the RMF 2013-2015[31] in order to support enhanced performance and to enable more comprehensive reporting on progress and achievements.

126. The efficiency evaluation raises three issues with regard to the efficiency and other indicators in the RMF for IFAD9, which was approved by the GC in February 2012. First, PCRs prepared by governments are rated by PMD across all evaluation criteria (including efficiency) covered therein. The PCRs are the main source of data used for reporting against the eleven outcome indicators (e.g. relevance, effectiveness, efficiency, etc.) in Level 2 (IFAD's contribution to development outcomes and impact) of the RMF. This could raise doubts about the robustness of reporting, given that the same entity responsible for project design and implementation support (i.e. PMD) is also responsible for rating the final performance of IFAD-supported projects. In other IFIs, it is normal practice for data from their independent evaluation units to be used for reporting against the RMF.

127. Second, policy dialogue, partnership building and KM are integral dimensions of IFAD's non-lending activities and should all be covered in the Level 4 indicators (operational effectiveness of country programmes and projects), which is not the case at present. Moreover, client surveys are the main source of information for assessing performance against these indicators, but they have limitations as response rates are variable and unpredictable, and the underlying processes and methods in the production of client feedback are not known. Assuring systematic reporting on COSOP implementation on an annual basis and the introduction of COSOP completion reviews, as per current guidelines, should be a priority to help overcome this gap.

[31] https://webapps.ifad.org/members/gc/35/docs/GC-35-L-4.pdf - see annex II.

128. Thirdly, IFAD's RMF indicators could benefit from a clearer articulation of efficiency indicators (see suggested sample in box 1 of the Main Report), which would facilitate benchmarking, and a stronger impact and outcome orientation, reflecting IFAD's specificity of its mandate (for example on Level 1) and the scaling-up contribution of its partners. It is IFAD's outcome and impact focus which forms the critical link to assess the benefits of its scaling up approaches and thus can eliminate a false dichotomy between IFAD's own "output efficiency" and the broader and more relevant "outcome efficiency".

Conclusions and recommendations

129. **Conclusions.** IFAD is an organization with a focused mandate to promote rural poverty reduction. Its role, contributions and trademark participatory approaches are particularly appreciated by recipient governments, the rural poor and other partners at the country level. The Fund fills an important space in the galaxy of multilateral and bilateral development organizations, and has the potential to become a true centre of excellence for smallholder agricultural development.

130. Given its relatively small size as compared to other MDBs and its specialized mandate, it is difficult for the organization to benefit from lower output costs through economies of scale, and thereby enhance its output efficiency. However, this evaluation believes there are important opportunities for IFAD to further enhance both its programme and institutional efficiency by making additional improvements to its operations, delivery model and internal processes.

131. Scaling up successful IFAD-funded programmes through their adoption by partner institutions (including governments) is vital to IFAD making a meaningful contribution towards alleviating rural poverty, hunger and malnutrition across the globe and would improve IFAD's impact efficiency. But attracting partner resources for scaling up requires that IFAD produce successful, high-quality, and sustainable programmes, with demonstrated impact. IFAD-supported projects today are predominantly "moderately satisfactory"; IFAD must therefore raise the bar to deliver more projects that are "satisfactory" or "highly satisfactory" that include a special focus on innovation and creativity.

132. At the heart of achieving scaled-up impact is the need to develop an institution-wide culture of accountability for performance, well beyond the delivery of activities and outputs. IFAD has made

a number of changes recently in the direction of improved accountability, such as the preparation of the Medium-term Plan. However, it needs to move further away from a culture that emphasizes review and compliance to a new culture that sets realistic objectives and targets, pays more attention to results measurement and evaluation, and provides the required incentives to good performance while simultaneously introducing more stringent measures and sanctions for addressing poor performance.

133. This CLE includes ten main messages. They highlight the fact that cost containment across the board is not how the serious efficiency challenge faced by IFAD will be met. Judicious investments in technology, systematic redeployment of administrative resources towards high return areas, an enhanced skill mix, increased selectivity in operations, substantive delegation of responsibility and above all cultural change focused on excellence and strategic partnerships hold the key to improved IFAD efficiency:

(i) **Project quality: noteworthy improvements but project efficiency lags**. There have been improvements in project performance since the IEE, and data suggests that the performance of IFAD-funded projects is better than the agriculture sector operations of ADB and AfDB and broadly on par with the World Bank. However, project efficiency continues to remain amongst the weakest performing of all evaluation criteria. Complex project designs, especially in relation to country capacities, insufficient financial and economic analysis, and limited funding for design constrain project readiness and efficiency.

(ii) **IFAD is appreciated for its flexibility and participatory approaches, but more focus is needed on the operational portfolio.** IFAD is recognized as being highly responsive to the needs of the rural poor and recipient governments, which is a distinguishing characteristic of the organization. But its operations are spread too thin, across a wide range of subsectors and themes covering a large number of results areas. This is exacerbated by inadequate customization of its support programmes across different countries. Limited focus and country differentiation in IFAD-supported programmes make it difficult for IFAD to build the critical mass of expertise and skills (see point (iv) below) needed to deliver high-quality client services in a cost-effective manner and are affecting both its project and institutional efficiency. The outposting of CPMs is essential, but has been slow, and a consolidated vision for organizational decentralization in the broader sense has yet to be articulated.

(iii) **Significant adjustments have been made to the operating model.** Over the years IFAD has made significant adjustments to its operating model, such as the introduction of DSIS, country presence, and an arms-length QA system. They are all critical to enhance effectiveness, but they (as well as other measures still required to enhance the quality of partnerships and the technical soundness, innovation and creativity of IFAD operations) come at a cost that needs to be offset by increased strategic, thematic, country and instrument selectivity.

(iv) **Staffing is not yet sufficiently aligned to the changing business model.** IFAD's technical staff expertise within the Policy and Technical Advisory Division is too limited to allow participation in and support to key design and supervision missions. Staff skills are also short relative to requirements of the organization's new business model and evolving operational priorities, especially in key areas, such as agronomy, private-sector engagement, and policy dialogue for scaling up.

(v) **Corporate business processes need to adapt to decentralization**. There is a close link between IFAD's institutional efficiency and project efficiency. The Change and Reform Agenda introduced in 2009 aims to make IFAD a more agile, efficient and effective organization. However, heavy corporate business processes characterized by stringent ex ante controls, such as for loan disbursements and HR management (including consultants' management), and an insufficient information and communication system are factors affecting IFAD's total efficiency. The adjustments needed to corporate business processes and IFAD's operating model to adapt to a decentralized organizational architecture have not received sufficient attention.

(vi) **Managers and staff need a consistent and manageable framework for accountability for results.** Attention is being devoted to developing a platform for managing for development results and improved budget management and reporting. A framework for results-based management and a self-evaluation system is being put in place. However, the results framework is complex and different layers in the framework are not adequately aligned to facilitate aggregation and reporting. Progress against key indicators is assessed and reported

based on IFAD's self-evaluation data without independent validation by IOE. Similarly, primary reliance on client surveys for reporting on selected indicators might not be credible and the efficiency focus of the indicators needs strengthening.

(vii) **Budget management and processes have been tightened in recent years, though there is room for further enhancement.** Budget preparation, execution, monitoring and reporting are being strengthened and made more transparent. However, the budget function is not adequately staffed to enable it to play a wider role in strategic planning, priority setting and internal resource allocation. Managers at the divisional and departmental levels are not sufficiently held accountable for results and budget management, partly due to unsystematic access to timely and comprehensive data and information for mid-course corrective actions, but most importantly, due to the missing components of a consistent accountability framework for managers and staff.

(viii) **IFAD needs to work with implementing governments to address areas of weak government performance.** Government capacities and overall performance in the agriculture and rural sectors are one of the single most determining factors that impinge on the efficiency of IFAD-supported activities. Government performance under IFAD-funded projects has not shown improvements for around a decade, and major challenges remain, especially at the lower administrative levels. IFAD has not addressed this problem head on. Some areas where IFAD could support governments are: strengthening capacity for project design and PCR preparation; and M&E.

(ix) **Management of staff needs to be better aligned to IFAD's current needs.** Over recent years there has been a marked increase in attention given to HR reform. Good progress is being made in a number of areas. However, it faces several challenges in the area of people management: (i) overreliance on consultants for technical skills needed to operate the new business model, and the concomitant lack of comparable in-house technical skills in programmes and projects; (ii) limited attention to leveraging the expanding number of staff in the field and substituting field-based staff for Rome-based staff; (iii) high staff costs due to skewed grade mix and high proportion of GS staff; (iv) inadequate attention to the skills required for CPMs to fulfil their changed role; and (v) a risk-averse approach to performance management. A critical challenge is the need for an accountability framework with clear, substantive delegation of authority.

(x) **There is scope for further efficiency gains in the IFAD Governing Bodies.** In general, IFAD's governing bodies architecture is effective, and recent measures approved by the Board are on track to cut costs and enhance efficiency. The GC provides a useful platform for discussion on contemporary agricultural issues, though the balance between governance and discussion of agricultural issues needs reflection. Keeping in mind the objective to further reduce costs and overall organizational effectiveness, the need to hold the GC every year is questionable. The Board is generally well supported by its subsidiary bodies, but the Board's agenda is crowded and not sufficiently focused on discussing policies, results, lessons and evaluations. The lack of a code of conduct for Board members exposes the organization to reputational risks and needs attention. There are opportunities to achieve further efficiency gains in the functioning of the Board, while ensuring it satisfactorily fulfils its critical oversight and policy and strategy formulation role.

134. **Recommendations.** The CLE on efficiency includes one overarching objective and seven recommendations that support the achievement of the overarching objective. In line with good international evaluation practice, the evaluation recommendations will need to be translated into more detailed action items by IFAD Management, possibly in the form of a time-bound plan with specific activities and deadlines. In this regard, IOE is cognizant of the fact that IFAD Management has adopted a number of key commitments including to increase "IFAD's institutional effectiveness and efficiency", as part of the Improvement Agenda in the framework of IFAD9.[32] Therefore, it is suggested that these commitments and the evaluation's recommendations (after consideration by Management and the Executive Board) be combined into one overarching, consolidated IFAD Action Plan that serves as the main reference document to improve institutional efficiency moving forward. The Board may be invited to approve the consolidated Action Plan before its implementation is launched to ensure all evaluation recommendations have been properly and fully addressed therein.

[32] See for example, annex 1 in document GC 35/L.4, Report of the Consultation on the Ninth Replenishment of IFAD's Resources.

135. It is also proposed that the implementation of the evaluation's recommendations through the Action Plan be monitored and reported annually in the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), starting from its 2014 edition. This would eliminate the need for a separate progress report to the Board on the implementation of the Action Plan.

136. **Overarching objective: Raise the bar for IFAD's own performance as a partner to promote scaled-up impact for IFAD-supported programmes.** Achieving scaled-up impact is the path to long-term impact efficiency. IFAD should strive to deliver consistently high-quality service to its clients and achieve satisfactory or highly satisfactory evaluation ratings for IFAD's own performance. This objective is supported by the following recommendations:

137. **Recommendation 1: Scaling up of high impact, innovative approaches emerging out of IFAD-supported projects and programmes should become the objective of IFAD's business model.** To this end, IFAD should sharpen its thematic/subsectoral focus through greater selectivity and complement its traditional focus on projects with greater attention to KM, partnership building and policy dialogue with projects to achieve scaling up. Moreover, IFAD should better align its country programmes and corresponding budgets with the differing country contexts and requirements, and tighten its project preparation processes with greater attention to financial, efficiency and sustainability aspects and economic and institutional analysis. The grants programme should also be repositioned to include, inter alia, support to governments for enhancing their capacity for project/programme preparation and implementation. IFAD should add to the pool of in-house technical expertise in PMD to enable it to provide greater field inputs by staff to operations, strengthen team leadership with CPMs normally leading all major operational missions, and introduce mechanisms to balance better the workload across CPMs.

138. **Recommendation 2: Articulate and implement a clear vision for country presence and how IFAD would operate in a decentralized environment.** A vision for the future management of IFAD should be developed that recognizes that the outposting of CPMs will lead to increased decision-making in the concerned countries. The vision should address the relationships between headquarters and country offices, the accountability of CPMs, country programme officers (CPOs) and regional directors for operations, and the challenge of the flow of knowledge across country and regional divisions in a decentralized environment. It should also include an integrated review of the processes for ensuring quality, starting with the composition of teams for project preparation, and DSIS. IFAD should also make a realistic projection of the cost of IFAD country offices and pursue opportunities for making countervailing savings at headquarters.

139. **Recommendation 3: Manage O&S units, including critical ICT functions, with a clear focus on increasing service quality and cost efficiency.** The O&S units are important enablers for IFAD's overall efficiency because the processes under their purview have wide ramifications for the effectiveness of all IFAD units who use their services. Management should therefore develop and implement a clearly articulated strategy that focuses on the quality and cost efficiency of O&S, which would ensure a more efficient outcome for the organization and not necessarily the cheapest level of O&S service. Actions are needed to reform corporate business processes, reduce staff costs and increase managerial accountability for efficiency improvements. Additional resources will be required for major capital investments in the ICT function in line with the strategy.

140. **Recommendation 4: Better manage scarce budgetary resources towards high-quality results.** Allocation of budgets should be more clearly guided by the Strategic Framework 2011-2015 and RMF, and by using the Medium-term Plan to provide specific guidance on strategic selectivity. The actual results achieved as reported through the ARRI and RIDE, and the different country contexts should be two further aspects informing budget allocations across regional divisions and country programmes. This strategic budgeting process will require greater autonomy of budget management and accountability for results at the departmental and divisional levels; modern budget information systems (including time recording and cost accounting) and augmented capacity in the central budget function. In this regard, the budget function should be headed by a staff member at the director level, who should be supported by additional senior staff. The recent practice of conducting rigorous periodic budget monitoring and reporting and reallocations as needed during the year should be continued.

141. **Recommendation 5: Manage strategically the skills composition, cost and performance of the workforce.** IFAD should manage the workforce composition within the framework of a clear and

comprehensive process for strategic workforce planning, driven by the changing nature of IFAD's approach to its client services. Specifically, IFAD should add technical expertise in PMD (see recommendation 1) and make the consultant hiring process more rigorous for ensuring higher quality consultants. The staff cost structure should be adapted over time using the opportunity offered by natural attrition to provide the needed budget flexibility. Critically, a strong performance management culture should be instilled.

142. **Recommendation 6: Focus oversight by Governing Bodies on key strategic issues.** The GC should consider delegating approval of IFAD's administrative budget, including that of IOE, to the Board, and not holding its meetings annually. The Board could lighten its agenda by delegating approval of all loans and grants to the President, which would enable it to devote more attention to discussing policies and strategies, results, lessons and evaluations. To confirm the integrity of IFAD's governance framework, a code of conduct for the Board should be introduced, in line with the other IFIs. Broad terms of reference for Board members should also be developed, to assist Member States in designating their Board representatives to IFAD. The Audit Committee should consider attracting outside professional expertise for major items on the agenda regarding financial oversight, controls and risks.

143. **Recommendation 7: Instill an institutional culture of accountability and performance and strengthen the reporting for results.** A stronger culture of accountability is needed as the critical enabler for superior performance at all levels. Actions needed for this purpose include: more substantial delegation of authority in operational, administrative and financial matters to line managers; and accountability and performance "contracts" with clear performance expectations for managers and staff. IFAD should further examine the issue of a visible compliance function. The IFAD9 RMF also needs to be strengthened further guided by the following principles: (i) increase the specificity and robustness of impact and reach indicators including meaningful monitoring of the target of moving 80 million people out of poverty by 2015; (ii) incorporate a scaling-up indicator for country programmes supported by coverage of key non-lending activities (policy dialogue, partnership building and KM); (iii) sharpen the measures for IFAD's institutional efficiency, including those relating to number of outputs; (iv) measure the contribution of IFAD's country offices to its work programme; (v) report consistently on actuals against baselines and planned results and use variances for learning; and (vi) use IOE data where available as the basis for ex post analysis and reporting. More details of the recommended changes to the RMF may be found in box 1 of the main report.

Concluding thoughts

144. Not all of the recommendations above are individually budget-neutral. Some recommendations involve staffing and organizational changes and some imply additional resources. However, CLE estimates suggest that with a new focus on operational selectivity, there is sufficient budget flexibility (especially if a capital budget is introduced to fund lumpy ICT investments needed to improve long-term administrative efficiency) so that even in a flat-budget scenario, there is room for efficiency gains and reallocations that would allow implementation to start in the current replenishment period. This would require IFAD to exploit strategically the opportunities arising from natural attrition and encouragement of early retirement and to avoid duplications of functions and staffing between country offices and headquarters. At the same time, the potential impact of budgetary constraints on IFAD's efficiency, in particular on the efficiency of programmes and programme management are important. IFAD's Management and Executive Board will need to take account of the underlying trade-offs and ensure that short-term cost savings do not lead to long-term losses in impact and efficiency.

HONDURAS

Farmers sell their surplus produce in the market.

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1 Evaluation context and framework

Purpose and definitions

1. The purpose of this corporate-level evaluation (CLE) is to assess IFAD's efficiency, review past and ongoing efforts to improve it, and recommend actions to enhance efficiency sustainably. Consistent with the Organisation for Economic Co-operation and Development/ Development Assistance Committee (OECD/ DAC) guidelines, IFAD and this CLE define efficiency as a measure of how economically resources are converted into results. Based on the logic of the related results chains, the results comprise outputs, outcomes or impacts, leading to three different levels of efficiency. While all three can be useful in different contexts, the further down the results chain the results are measured, the more meaningful the resulting efficiency measures will be from a developmental perspective.

2. Wherever feasible, the emphasis of the CLE has been on impact efficiency, with a focus on scaled-up impact. Hence, the evaluation avoids a narrow focus on output-based efficiencies so as not to undermine realization of relevant outcome- and impact-based efficiencies. footnote here.[33] Underinvestment in ICT exemplifies the trade-off in improvements in output efficiency that undermined outcome and impact efficiency.

3. In a number of comparative assessments of performance across development organizations and bilateral programmes, IFAD ranks well on several dimensions (e.g. reliance on country procurement and financial management systems) but it ranks below the average on measures relating closely to efficiency with respect to administrative costs (annex 4), e.g. 22nd out of 31 in "low administrative unit costs" and 27th out of 39 in minimizing overhead; it gets a low score of 2 (weak) in "cost and value consciousness" compared with a 3 (satisfactory) for other multilateral organizations. At the project level, efficiency and sustainability are the lowest-rated criteria of performance, with little improvement in recent years.

Recent developments and reforms

4. IFAD is well recognized as a leader in the fight against rural poverty in developing countries. However, the scale of its resource transfers to Member States (and thus direct impact) remains small, both absolutely and relative to the rural poverty challenge. To make a significant global impact in reducing rural poverty, IFAD must intensify its efforts to achieve a scaled-up impact. It must work more effectively with local and central governments to mainstream lessons from successful projects in specific locations, and with development agencies, the private sector and non-governmental organizations (NGOs) to replicate successes on a much larger scale.

5. IFAD implemented most of the recommendations arising from the Independent External Evaluation of IFAD (IEE) and has largely delivered on the commitments under the Eighth Replenishment. It significantly expanded its programme of loans and grants (POLG) as well as its programme of work (POW)[34] since 2009. The POLG has increased from about US$600 million in 2008 to US$1.04 billion in 2012 (table 1). The POW has increased over this period from US$1.1 billion to US$2.05 billion, supported by a sharp increase in domestic contributions from US$280 million to US$600 million. This has resulted primarily from larger loans and projects; the number of loans approved each year has remained relatively steady between 29 and 34.

6. IFAD has introduced new operational processes and a new business and delivery model. Significant elements include the performance-based allocation system (PBAS), results-based

[33] The quality of the related results chains and the plausibility of the intervening assumptions between outputs and impacts assume a critical role in assuring congruence between the different measures of efficiency.

[34] Defined to include all funds from all sources.

country strategic opportunities programmes (COSOPs) with a recent emphasis on ensuring that the country strategies are indeed programmatic in nature, the shift away from cooperating institutions to DSIS and, most recently, expanded country presence. These are fundamental changes.

7. Staffing has increased steadily, partly as a response to changes in the business model. Overall staffing has increased from 454 in 2009 to 575 in 2012. In line with IFAD Management's intent, much of the increase has occurred in the Professional (P) staff category, mostly within the Programme Management Department (PMD). PMD staffing in 2012 accounted for about 50 per cent of total staffing (up from about 40 per cent in 2009) and a much higher 58 per cent of P and equivalent staff. The reliance on consultants increased (and remains) at 300 FTEs in 2011. The P staff-to-consultant ratio in 2011 IFAD-wide was at 0.96, and in PMD at 0.62.

8. Management has taken several initiatives in the last four years to increase efficiency across IFAD. These include the Change and Reform Agenda (CRA) initiated in 2009, the job audit and strategic workforce plan in 2012, the introduction of results-based budgeting in 2010, zero-based budgeting for 2011 budget preparation and zero (or close to zero) real budget growth for activities other than client services since 2007. The importance attached to efficiency improvement has been confirmed in management decisions over the last several years as articulated in such corporate documents as the Strategic Framework for 2011-2015, the RMF for 2013-2015, and the papers produced for the consultation with Member States on IFAD's Ninth Replenishment.[35] Management's emphasis on efficiency improvement is also evident in the issues and proposed actions discussed at the Executive Management Committee (EMC) retreat in July 2012.

9. Under IFAD's Eighth Replenishment, Management's main instrument for improving efficiency is the CRA. It has five main elements: strengthening IFAD's organizational structure and streamlining decision-making; ensuring efficient use of resources by aligning the Fund's financial and human resources (HR) with its strategic objectives; implementing reforms in HR management to better manage staff performance; strengthening financial management to improve the efficiency of financial services; and improving business processes throughout the organization to increase efficiency gains. Ongoing initiatives in these areas have been preceded by external reviews. Management recognizes that these elements need to be addressed in parallel with full implementation of IFAD's new business model.

10. IFAD is in transition from a purely financing institution to a development organization, one that takes responsibility for country assistance, design, supervision and implementation support. It will take some time for the impact of many management decisions and reforms in recent years to be realized fully.

TABLE 1

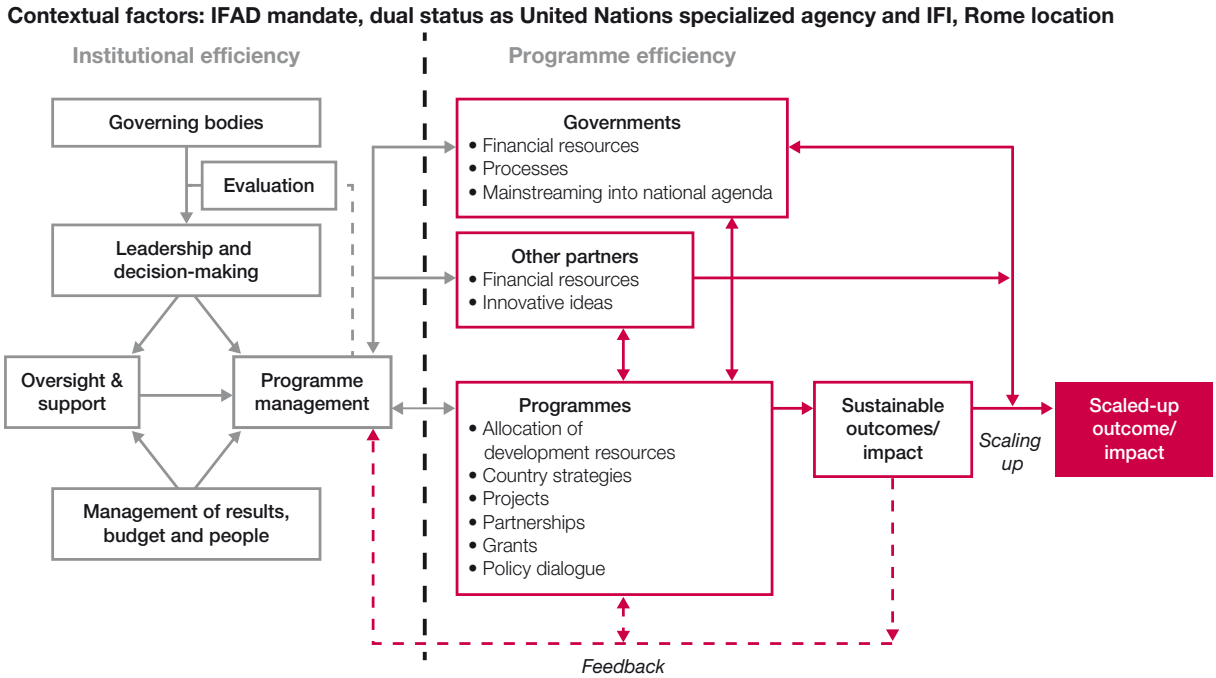
IFAD at a glance

	2007	2008	2009	2010	2011	2012
Programme of loans and grants (US$ millions)	556	593	709	845	998	1 042
Programme of work (US$ millions)	1 215	1 144	1 363	2 427	2 191	2 047
Number of loan and Debt Sustainability Framework (DSF) grant approvals	34	29	32	33	34	33
Number of IFAD country offices	14	27	30	30	30	30
Number of recipient countries/territories (current portfolio)	85	88	91	96	97	99
IFAD administrative budget	101	111	115	132	141	144
Total staff (full-time equivalents [FTEs])	446	450	454	501	532	575
IFAD consultant FTEs		211	228	290	302	

Source: IFAD Annual Reports; Annual results-based POW and administrative and capital budgets.

[35] The paper Managing for efficiency in IFAD: Progress under IFAD8 and proposals for IFAD9 (REPL IX-3-R-2) and the Report of the Consultation on the Ninth Replenishment of IFAD's Resources (GC 35/L.4, dated 25 January 2012) include key commitments to improve cost and process efficiency over the IFAD9 period.

FIGURE 1
Conceptual framework



Source: CLE.

Conceptual framework and objectives

11. The conceptual framework of the CLE splits IFAD's efficiency into programme efficiency and institutional efficiency (figure 1). Programme efficiency focuses on results from the use of resources entrusted to IFAD for supporting development outcomes and impacts in its member countries;[36] and institutional efficiency is a measure of how well IFAD uses its administrative budget to deliver and manage its development programmes. The results extend beyond direct impact to scaled-up impacts that depend on the complementary actions of IFAD's partners. As the primary interface with IFAD's clients, PMD is at the core of institutional efficiency. Institutional efficiency also covers IFAD's oversight and support (O&S) functions as well as its management of results, budgetary resources and people. All of these institutional activities are in turn influenced by the efficiency of executive decision-making and IFAD's governing bodies. Under both institutional efficiency and programme efficiency, the analysis focuses on the input, output, outcome and impact stages of the results chain. Finally, the CLE pays particular attention to the trade-offs between efficiency at the different levels.

12. The theory of change leading to scaled-up impact, at a very simplified schematic level, is also illustrated in figure 1. The left block illustrates the elements of IFAD that support programme management in delivering programmes. The block on the right shows the composition of IFAD's programmes as well as the role of governments and other partners in providing resources and knowledge. This role extends beyond the direct IFAD-funded programmes and its outcome and is even more important at the next stage in contributing to scaled-up impact. IFAD's influence declines as the focus shifts from outputs to outcomes and impact. In particular, scaling up is an inherently collaborative process that relies on the engagement and cooperation of clients and partners.

13. The evaluation has six main objectives. The first five are to evaluate the:
    (i) Efficiency of IFAD's programmes, including country strategies, projects, grants, policy dialogue and partnerships, with particular attention to scaled-up impact;
    (ii) Institutional efficiency of IFAD's programme management as well as its O&S functions;
    (iii) Implications of the Governing Bodies on IFAD efficiency;
    (iv) Institutional efficiency implications of IFAD's management of results, budgets and people; and
    (v) Implications of recipient country context and government processes that affect both institutional and project/programme efficiency of IFAD.

[36] Historically, project financing dominated IFAD's programmes, efficiency of IFAD-supported projects was also a reasonable proxy for the programme efficiency.

14. The sixth objective is to develop recommendations for IFAD to enhance its efficiency at all levels and propose indicators for monitoring and assessing IFAD's programme and institutional efficiency.

Methodology, limitations and process

15. The CLE on efficiency focuses on IFAD's activities since 2005, following the IEE, undertaken in 2005. In recent years, IFAD has taken a number of actions to increase its efficiency: the CLE assesses the success of these measures and their long-term sustainability, judging whether they constitute a tangible set of planned steps coordinated across the institution.

16. The CLE has relied on a mix of methods to draw conclusions from a variety of data sources:
    (i) **Desk review and data analysis.** IFAD has a number of internal documents (annex 2) and databases that provided useful information for the evaluation. The evaluation team reviewed a large number of policy, process, operational and programme/project documents. Past initiatives together with subsequent action plans and progress reports provided helpful reference points. The evaluation also draws on existing independent and self-evaluation materials available in IFAD. In particular, it has used existing independent evaluative evidence from published reports of the Independent Office of Evaluation of IFAD (IOE), including the ARRIs, other CLEs (e.g. on rural finance, innovation and scaling up, gender, private sector, direct supervision, field presence, and agriculture in Africa, etc.), and selected country programme evaluations (CPE). Where appropriate, these have been supplemented by portfolio management data from PMD, quality enhancement (QE) data from PMD's Policy and Technical Advisory Division (PTA) and data from the Quality Assurance (QA) Secretariat. Where feasible, relevant data from comparator organizations has been used to put IFAD data in perspective; budget and expenditures of other IFIs and United Nation agencies were taken from the budget documents of each institution.
    (ii) **IFAD audits, self-evaluations and relevant analyses.** Other important inputs included the results of audits carried out by AUO, self-evaluations undertaken by PMD and external reviews and analyses prepared by Management as part of the CRA and for Consultations on the Ninth Replenishment of IFAD Resources.
    (iii) **Interviews.** The desk reviews were supplemented by interviews with multiple stakeholders: members of the Board and the Evaluation Committee (EC), staff (and consultants) and managers across IFAD, and client counterparts and staff of selected country offices (see also (vi) below). The interviews were guided by a structured set of questions where appropriate.
    (iv) **Focus group discussions.** The team also held discussions in focus groups of country programme managers (CPMs), P staff in O&S units, and GS staff.
    (v) **Surveys.** Anonymous, electronic surveys of different stakeholders – EB members, technical staff and managers of IFAD, CPMs and GS staff – have further added to the evaluation's evidence base by soliciting the perspectives of knowledgeable individuals on topics of interest to them.
    (vi) **Country studies.** Five country case studies were conducted. These covered Honduras, India, Mali, Uganda and the United Republic of Tanzania. The purpose of the case studies was to develop insights at the country-level concerning the implications of client context and government processes on IFAD's efficiency.

17. The CLE is constrained by several factors:
    (i) It is the first evaluation focused on efficiency ever carried out for a multilateral institution and thus cannot rely on any pre-established framework. The treatment of efficiency at three levels – output, outcome and impact (including scaled-up impact) – is also unprecedented. This limitation is compounded by the fact that there is necessarily a long gestation period for achieving development impact in Member States; the period to achieve the aspired scaled-up impact is even longer;
    (ii) As noted earlier, significant changes to business processes and to the business and delivery model have been initiated in recent years and the organization remains in transition. The impact of many changes inevitably lags the changes and has not yet been fully realized, making it a challenge to carry out an evaluation;
    (iii) IFAD lacks information on the full costs of its activities, since it is unable to attribute staff costs to diverse services and activities. Since such costs account for some two-thirds of IFAD expenditures, it is not easy to carry out efficiency analyses or to monitor efficiency improvements; and
    (iv) IFAD has made less progress than some comparator organizations with respect

to databases and its capacity for enterprise analytics such as analysis pulling together staffing, other budgetary costs, activity timelines and programme/portfolio performance.

18. The candour and openness shown by IFAD staff and managers at all levels, as well as members of the Board and its subsidiary bodies in their interactions with the evaluation team has been of great help in filling some of the data gaps. Nevertheless, recognizing the above constraints and limitations, the focus in this evaluation has been on providing pragmatic guidance for improving future performance with careful triangulation of data from different sources. The resulting recommendations are considered robust even if in some cases the related findings may not meet the stringent standards of evidentiary basis needed to establish accountabilities for the past performance.

19. The evaluation was organized in four major phases: (i) inception; (ii) desk review; (iii) country case studies and discussions with comparator organizations; and (iv) preparation of the final report. The inception phase included building on the approach paper to develop further the evaluation methodology and the framework and instruments for data collection. The main deliverable from this phase was the inception report.[37] The desk review phase included a review of numerous key documents, electronic surveys, collection and analysis of data, and bilateral and focus group discussions with IFAD Management and staff as well as with members of the Executive Board and the EC. The desk review phase led to the production of a number of working papers and an interim report was shared with Management for review and comments. The Interim Report benefited from discussion with the Senior Independent Advisers.[38]

20. Following the desk review phase, five country case studies were conducted in Honduras, India, Mali, Uganda and the United Republic of Tanzania. In most cases, national consultants undertook the case studies under the guidance of IOE and the CLE team. The purpose of these case studies was to examine the government processes related to IFAD activities and understand their implications for the efficiency of IFAD-supported activities. During this phase, the team also held discussions with and collected data from comparator organizations (e.g. World Bank, African, Asian and Inter-American Development Banks, Food and Agriculture Organization of the United Nations and others) for the final report.

21. The last phase of the evaluation was the production of the draft final report, during which IOE considered the detailed comments of Management on the interim report. The main findings were presented to the EC at its session in November 2012 and the Executive Board in December 2012, and their feedback has also been factored into the final report. The draft final report was shared with IFAD Management in January 2013 and their comments on this have been taken into account in the preparation of the final report that will be discussed by the EC and EB in April 2013, together with Management's written response.

[37] The inception report was shared as a background document with the EC at its Seventy-fourth session in November 2012 (www.ifad.org/gbdocs/eb/ec/e/74/index.htm).

[38] They are: Robert Picciotto, former Director General and Senior Vice-President, Independent Evaluation Group of the World Bank, and Richard Manning, former Chairman of the OECD/DAC.

2 Programmes and programme management

Context and objectives

22. Despite important gains over the past two decades, rural poverty remains a daunting developmental challenge. A billion rural inhabitants still live on less than US$1.25 a day.[39] Around the globe, a similar number also suffer from hunger and malnutrition.[40] IFAD is well recognized and valued as an institution dedicated to the eradication of rural poverty and improving food security in developing countries. As the only international financial institution (IFI) focused exclusively on rural poverty and food security, IFAD rightly aspires to have global impact in these two results areas. However, IFAD's resource transfers to Member States (and thus its direct impact) remain small both in absolute terms and relative to the challenges in its mandated areas. Accordingly, IFAD must adapt its business model to its size and its comparative advantages, and cannot afford to replicate simply the roles, functions and performance standards of other, much larger IFIs.

23. IFAD has long understood that scaling up successful innovations by leveraging its own resources with those of others – of client governments as well as of other partners – is essential for enhancing its global influence and impact. Leveraging the resources of other partners requires, in turn, demonstrated success in the products and services IFAD provides to its clients. It also requires a results-driven business model that emphasizes selectivity, calculated risk-taking, learning and adaptation, knowledge sharing and outreach.

24. PMD is the primary interface between IFAD and its clients. It is also the largest unit within IFAD, currently accounting for about 50 per cent of all IFAD staff and about 55 per cent of its administrative budget (see table 2). This section sets out the main findings of the CLE on PMD performance bearing upon IFAD's programme efficiency (a measure of how well IFAD deploys resources entrusted to it for supporting development outcomes and impacts in its member countries) and its programme management efficiency (economy in the use of its administrative budget for delivering and managing its development programmes, i.e. the institutional efficiency of PMD). The focus is on impact efficiency, including impact through scaling up. However, where appropriate, output and outcome level efficiencies are also considered since IFAD has greater control over them and they often pave the way towards impact and sustainability.

25. In evaluating PMD performance, the CLE team focused on whether PMD was doing the right things and whether it was doing them right, with imperatives of scaled-up impact as the guiding framework. In the context of IFAD's mandate and resource availability, and considering PMD's own responsibilities within IFAD, this meant looking at:
    (i) Focus and selectivity in allocation of IFAD's developmental resources among different countries and themes;
    (ii) Quality of IFAD's country programmes (alignment with strategic framework, customization to meet different country contexts, coherence and synergies among the product mix and realism of results frameworks);
    (iii) Efficiency of the projects supported by IFAD: whether their benefits exceed the costs, whether their designs reflect least-cost solutions, and whether they are implemented efficiently;
    (iv) The value for money provided by the grants programme as well as effectiveness of IFAD's non-lending activities including knowledge management (KM), policy dialogue and partnership building;
    (v) Appropriateness of IFAD's delivery model (including team composition, team leadership, staff skills, QA processes, country presence and DSIS) for delivering a high level of performance and fostering scaling up of impact, and the implications for efficiency and effectiveness; and
    (vi) Impact of recipient country context and government processes on IFAD performance and efficiency.

[39] Rural Poverty Report, IFAD, 2011.

[40] Ibid.

TABLE 2

PMD at a glance

PMD at a glance	2005	2006	2007	2008	2009	2010	2011	2012
Number of loan and DSF grant approvals[a]	31	27	34	29	32	33	34	33
Value of loan and DSF grant approvals (US$ millions)[a]	499	515	520	552	662	794	947	968
Number of grant approvals[a]	66	109	77	70	99	88	83	88
Value of grant approvals (US$ millions)[a]	37	42	36	41	47	51	50	69
Total programme of work[a]	1 028	907	1 215	1 144	1 363	2 427	2 191	2 632
Cofinancing[a]	124	96	425	305	312	677	412	459
Domestic contributions[a]	419	291	274	283	364	934	832	600
Number of COSOPs[b] approved	11	6	15	9	9	6	8	7
Number of IFAD country offices[c]	13	14	14	27	30	30	30	30
PMD staff			157	168	178	195	272	295
Total PMD administrative budget (US$ million)			51	58	61	72	79	81

[a] IFAD Annual Reports.
[b] IFAD Executive Board documents.
[c] IFAD Country Presence Policy and Strategy (EB 2011/102/R.10/Rev.2).
Source: IFAD annual reports.

Principal findings

Focus and selectivity

26. **The PBAS, introduced in 2003, is currently the main instrument for allocating IFAD's programme resources among the eligible member countries**. Fashioned after similar systems in other IFIs, it represents customization in two important respects: it uses a country's rural population, rather than total population, to establish needs, and it supplements the Country policy and institutional assessment index with an index of Rural sector performance to link allocations to country performance. It has been refined several times (most recently in 2010), with guidance from a working group of IFAD's Executive Board, based on experience in the use of PBASs in IFAD and in other IFIs.

27. **IFAD's current country allocations reflect adequate poverty focus but are not sufficiently aligned with its scaling-up agenda.** Analysis of IFAD's country lending patterns indicate that over time, IFAD's commitments have shifted markedly towards the Least Developed Countries – from about 36 per cent during 1991-95 to 44 per cent during 2001-05 and to 47 per cent during 2006-11. IFAD's current country allocation patterns appear quite similar to those for the International Development Association (IDA)[41] – suggesting reasonable trade-offs between needs and performance. However, considering the "mission-critical" nature of the scaling-up agenda in IFAD's business model, the current PBAS formula needs to factor in the leverage achieved by IFAD in different countries through cost sharing by clients and cofinancing by partners. As noted in several IOE evaluations, cost-sharing in IFAD programmes by some of the better-off countries have tended to be rather low.[42] It should be reasonable to expect higher cost sharing from the middle-income countries (MICs), thereby expanding the overall size of the POLG and the resources available for the poorer countries.

28. Explicit recognition of leveraging through cost sharing would promote better programme quality through greater client ownership. Additionally, this approach could increase client receptivity to IFAD partnering with other cofinanciers.[43]

[41] Allowing for differences in their respective mandates – unlike IDA, IFAD's mandate also covers MICs.

[42] 13 per cent in Indonesia compared to 28 per cent in Benin and 27 per cent in Eritrea (ARRI 2010).

[43] Client concerns about the value added of IFAD cofinancing with other multilateral development banks is apparently an important reason for absence of such partnerships in several major clients (e.g. India, Viet Nam).

Early involvement of other partners in IFAD-supported projects would, in turn, increase the prospects of subsequent replication of successful projects through partner resources.[44]

29. **IFAD's institutional efficiency is limited due to inadequate country selectivity in its lending programmes as well as complexity in the PBAS implementation.** The current PBAS is leading to very small allocations to many countries, contributing to low programme management efficiency. The number of countries with active IFAD programmes expanded from 90 to 118 between the Seventh and Eighth Replenishments. More importantly, under the Eighth Replenishment, some 30 countries had allocations of US$5 million or less over a three-year period (2010-2012). Given the inevitable fixed costs associated with IFAD's project cycle,[45] maintaining meaningful lending relationships with these countries implies significant adverse impacts on IFAD's institutional efficiency.[46] Efficiency considerations would suggest therefore both greater country selectivity as well as alternative delivery mechanisms for assisting countries with small programmes in a cost-effective manner.[47] If such an approach is considered inconsistent with IFAD's mission and mandate, it would unavoidably lower IFAD's institutional efficiency and should be recognized transparently in IFAD's reporting to its governing bodies. In view of the relatively minor year-to-year changes in country allocations, the current practice of re-estimating PBAS allocations annually appears to be low value-added.

30. **Insufficient thematic focus in IFAD-supported programmes is constraining operational excellence and efficiency.** Broad directions for the thematic focus of IFAD assistance are provided through IFAD's Strategic Frameworks and Lending Policies and Criteria.[48] Rather than making those directions normative (as for country allocations), IFAD has left the choice of thematic areas to country customization through the COSOP process. However, the number of different results areas that IFAD has worked on over the past decade suggests the need for more pointed guidance on the need for greater selectivity through the Strategic Frameworks. Disaggregated data on IFAD's lending programmes since 2001 indicates IFAD's involvement in 14 subsectors with anticipated results in 64 different results areas.[49] In 24 of these areas, total IFAD support over the 10-year period amounted to less than US$25 million each – too little to build adequate in-house expertise and critical mass of related technical skills.[50] Even if consultants were hired for all these activities, it would be difficult for IFAD to maintain the institutional ability to properly manage consultant teams in 64 different results areas. The insufficient thematic selectivity also leads to complexity in tracking portfolio performance and results, possibly also to compromising the reliability and usefulness of IFAD's Results and Impact Management System (RIMS).

31. **Given the diversity of its clientele and the demand-driven nature of its assistance, IFAD understandably requires a reasonably large menu of choices to be responsive to member needs.** There is much to be commended about IFAD's client-centric, bottom-up approach. However, given its size and capacity, IFAD cannot expect to help address all the problems of all its clients. As a practical matter, its client-responsiveness must be balanced against the imperatives of delivering high-quality support in an efficient manner. Without making judgements on the relative priorities of the different results areas, it would appear that the current thematic mix is too diffused for IFAD to mobilize the requisite expertise and knowledge to serve its

[44] Designed properly, there is no reason that this refinement of the PBAS should bias the IFAD programmes against the poorer and the fragile states; indeed the objective will be to help them further by expanding the overall IFAD programmes. If necessary the cost-sharing formulae can be suitably normalized to recognize the limited fiscal capacity of the poorer states.

[45] Typically, project cycle costs to IFAD (including project preparation, appraisal, supervision and implementation support) amount to about US$1 million and are largely invariant to the loan size.

[46] One consequence of this, under PMD's current delivery model, is large variation in the workload of different CPMs.

[47] See, for example, findings from the recently completed Jordan CPE.

[48] Priority activities for IFAD support include those that: (a) result in marked increase in output of cereals and other basic food stuffs, including livestock and fishery products for direct consumption within the producing country; (b) deliver a major portion of benefits to the small farmers and the landless; (c) induce larger flows of national resources to agriculture and improve the country's ability to organize the rural sector and mobilize the rural population; and (d) promote domestic and external trade in food products or other forms of economic cooperation among developing countries in respect of food production.

[49] ARPP 2011, attachment 1, table D

[50] These areas included animal feed, fisheries/marine conservation, fishing (capture), fruit trees, horticulture, mechanization, pest management, irrigation management, education, health and nutrition, literacy, processing, storage, land reform, legal assistance, standards and regulations, insurance, venture capital, communications, culture, disarmament, disaster mitigation, post-crisis management and rural settlements.

clientele efficiently.[51] By "greater selectivity" this CLE does not mean to deny the importance of any particular results area in a specific country context but rather to call for better division of responsibility with other partners, allowing IFAD to build a critical mass of expertise in areas most important to IFAD clientele as a whole. A possible framework for making such choices would consider factors such as past evaluative results, likely future role and demand among IFAD clientele, current skills-mix in IFAD, and existence of other partners specializing in various areas. A starting point for such scrutiny could be the 24 results areas identified in the preceding paragraph.

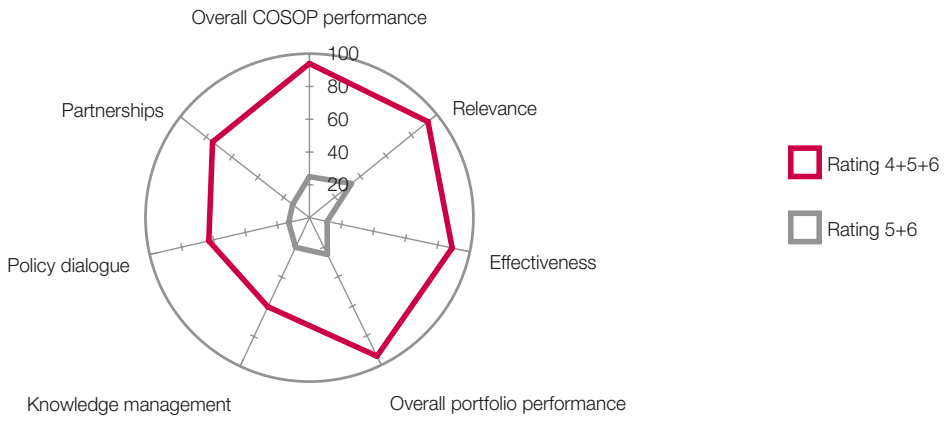
Quality of country programmes

32. **Results from IOE's 16 country evaluations since 2007 are encouraging.** Overall performance for all but one of the 16 country programmes was rated in the satisfactory zone, putting IFAD well ahead of the performance of other multilateral development banks (MDBs).[52] In particular, good results were reported for the relevance and effectiveness of the country programmes as well as for the overall portfolio performance (figure 2). Overwhelmingly however, COSOP performance has been moderately satisfactory; only four CPEs rated COSOP performance satisfactory (in India, Mozambique, Rwanda and Viet Nam) and none was rated highly satisfactory.

33. **There have been improvements in recent years in policy dialogue, KM and partnerships. However, these areas remain the lowest rated dimensions of COSOP performance.**[53] Only one COSOP (Argentina) was rated satisfactory for these non-lending activities. Limited resources and staff skills and poorly defined agendas are major factors constraining effectiveness in IFAD's policy dialogue at the country level.[54] Similarly, lack of specific initiatives, mechanisms and dedicated resources impeded the contribution of KM to country results.[55] Also often overlooked has been the critical role of operational excellence to catalyse partnerships needed for scaling up and leveraging. On partnerships, IOE evaluations suggest good efforts and results by IFAD with governments, NGOs and civil society, and less so with private sector and multilateral/bilateral. Weak linkages of non-lending activities to IFAD's RMFs have tended to accentuate the lack of incentives and accountabilities for these activities.[56] These data reflect evaluation of COSOPs that were prepared before IFAD's current emphasis on a more long-term programmatic approach. It could be expected that greater attention to policy dialogue, KM and partnerships needed for scaling up will lead to better performance in future evaluations.

FIGURE 2

COSOP performance evaluation results



Note: In the ARRI database, ratings are given on a scale of 1 to 6. 1 stands for highly unsatisfactory, 2 for unsatisfactory, 3 for moderately unsatisfactory, 4 for moderately satisfactory, 5 for satisfactory, and 6 for highly satisfactory.

Source: IOE database.

[51] Excessive complexity of projects as pointed out consistently by IOE and the QA Secretariat for the past several years is another manifestation of proliferation in results areas. Client feedback from country studies undertaken as part of this evaluation suggest that some of the complexity is client driven, whereas perceived staff incentive within IFAD may also be a contributory factor.

[52] Of the 132 country programmes evaluated by the World Bank during 2007-11, only 60 per cent were rated moderately satisfactory or better, with only 10 per cent rated satisfactory or better.

[53] Average rating of 3.5 and 3.7 for policy dialogue and KM respectively versus a rating of 4.2 for project performance.

[54] ARRI, 2012

[55] Ibid

[56] Corporate performance reports (CPRs), for example, have had no indicators to track performance vis-à-vis policy dialogue and KM. IFAD9 RMF is trying to correct this.

34. **The results-based COSOPs and the related guidelines have the potential to foster programmatic approaches that enhance the prospects for scaled-up impact.** For much of its history, IFAD has been a project-driven institution with little attention given to policy dialogue, knowledge sharing and partnerships to leverage the lessons emerging from its projects and grants.[57] Over the past decade, IFAD has made major efforts, including expanded country presence, to go beyond projects and to assure that its project and non-project interventions are embedded in coherent country strategies. This is encouraging in order to ensure that the diverse range of IFAD activities at the country level collectively contribute to enhanced results on rural poverty reduction. COSOPs are now the primary instruments in IFAD for guiding the focus and content of its support to different member countries.[58] The updated guidelines for results-based COSOPs call for a shift away from opportunistically identifying individual projects to developing a programme of country assistance that emphasizes country ownership, long-term programme coherence, partnerships and a small number of key objectives. By emphasizing programme elements that contribute to scaled-up impact, the new guidelines hold the potential to expand IFAD's impact beyond its direct project contributions. Realization of that potential however, will depend upon greater clarity in the pathways to scaling up impact in different countries.[59]

35. **IFAD's country programmes however show insufficient customization to the respective country contexts.** Increased use of knowledge services to complement financial services, especially in MICs and poorly performing Least Developed Countries, should be helpful. In countries with very small PBAS allocations, IFAD could also explore opportunities for increased programme management efficiency through partnerships with other development organizations or NGOs for channeling IFAD resources to those countries. This would make IFAD a silent partner in some countries, leading to expanded IFAD programmes, including management by IFAD of contributions by partners in other countries.

36. **The COSOP processes need greater customization and further streamlining.** Interviews with Management and staff as well as feedback from survey instruments, and country studies indicate a high level of support for the objectives of COSOPs, but concern about the process. Further tailoring of the scope, coverage and frequency of the COSOP preparation and monitoring to the country contexts would help economize on IFAD's administrative budget. COSOPs are currently required in countries with two operations in the pipeline and a PBAS allocation of US$20 million and above in a replenishment cycle. Whether a formal COSOP and the associated annual reviews are needed for countries with such a small PBAS allocation remains a question. Management is considering alternative instruments, such as a country programme paper for countries with limited programmes that would serve a purpose similar to a COSOP, but with less administrative burden. The results frameworks of COSOPs have also sometimes been more detailed than can be supported by data from available surveys and RIMS and have suffered from being overly complex and unrealistic.[60] This links with QA findings that project level logframes contain too many outcome indicators (which should aggregate to COSOP indicators) that are difficult to collect, monitor and analyze, and in some cases are unrealistic or overambitious.[61]

Project efficiency

37. **Findings from project evaluations indicate that project efficiency is among the lowest-rated criteria of performance for IFAD-supported projects; only sustainability is rated lower** (figure 3). Also, even when in the satisfactory zone, the efficiency ratings are mostly moderately satisfactory. Measured against the bar of satisfactory or better, efficiency and sustainability are at only 23 per cent and 16 per cent, respectively. More importantly, from the scaling-up perspective, only one of the 82 projects evaluated between 2009 and 2012 merited a highly satisfactory rating along these performance criteria. Credible, comparable data from other IFIs is hard to find; fragmentary data available from other IFIs suggests that efficiency has been a problematic area in other organizations as well and results are broadly comparable to those

[57] This would explain, in part, the lagging performance in these areas in past country evaluations by IOE.

[58] Currently, COSOPs are available for 79 countries, including 38 countries that have been prepared following the 2006 guidelines on results-based COSOPs.

[59] Scaling up the Fight Against Rural Poverty, October 2010, Brookings.

[60] See survey of IFAD managers.

[61] Annual Report on Quality Assurance in IFAD's Projects and Programmes, 2011.

FIGURE 3

Project performance evaluation results

Note: In the ARRI database, ratings are given on a scale of 1 to 6. 1 stands for highly unsatisfactory, 2 for unsatisfactory, 3 for moderately unsatisfactory, 4 for moderately satisfactory, 5 for satisfactory, and 6 for highly satisfactory.

Source: IOE's ARRI database.

for IFAD.[62] The data indicates no discernible improvements since around 2006 in the efficiency of IFAD-supported projects.[63]

38. **Project efficiency is adversely affected by weaknesses in project design**. As frequently noted both by IOE evaluations and the QA Secretariat, many project designs suffer from complexity linked to multiple objectives and components, large geographical dispersion and unclear institutional arrangements. Continued reliance on project management units (PMUs) or equivalent, and dependence on financial subsidies also mean questionable sustainability for the longer term and poor prospects for scaling up. Client feedback from country studies undertaken as part of this evaluation suggest that not all the complexity is client driven; perceived staff incentive within IFAD may also be responsible for some of the complexity.

39. **While IFAD's policies concerning efficiency analysis are similar to those of other IFIs, their operationalization has been a challenge**. IFAD's ex ante efficiency analyses have tended to be weak, with very little contribution towards improving project designs and/or screening out suboptimal projects. According to an in-house analysis by PTA staff, of the 46 projects presented for QE during 2011, 5 projects had no financial/economic analysis at all and analyses in almost three-quarters of the projects needed substantial improvements. The problematic areas included opaque and/or questionable assumptions about cost and benefit streams, inadequate recognition of economic distortions and transfer payments, weak links between analysis and project logframes, inadequate sensitivity analysis linked to potential risks and inadequate attention to operations and maintenance (O&M) costs and post-implementation sustainability. More importantly, economic analysis was used only for ex post justifications rather than for assistance in project design and selection.[64] Almost three-quarters of the CPMs surveyed agreed on the need for improved methodological guidelines; three-quarters also agreed with the need for improved skills in task teams for economic analysis; two-thirds agreed on the need for greater awareness among CPMs of the importance of efficiency analysis; 56 per cent agreed on the need for greater attention to efficiency analysis during managerial reviews; and half of the CPMs agreed that there was inadequate attention to project efficiency during the design stage. The appointment in January 2011 of a full-time adviser in PTA to improve economic and financial analyses of IFAD-supported projects is a step in the right direction, but will take time before its full impact is visible.

[62] According to the World Bank databases, the reported efficiency was modest or negligible for one third of the 162 agriculture and rural development projects evaluated by the World Bank's Independent Evaluation Group during 2001-05. No efficiency ratings have been reported by the World Bank since 2006. The 2010 joint IFAD/AfDB evaluation reported efficiency for AfDB-funded projects at 50 per cent. It is noteworthy that the overall performance of IFAD-assisted operations is considerably better than ADB in the Asia and Pacific region for the period 2000-2011, and broadly similar to World Bank operations globally (ARRI, 2012).

[63] ARRI 2012

[64] IFAD is by no means alone in this respect. There has been a more general decline among development agencies in the use of CBA in both appraisals and evaluations. A 2010 World Bank study found, for example, that the percentage of investment operations containing an estimate of the economic return had declined from nearly 70 per cent in the 1970s to approximately 30 per cent in the early 2000s.

40. **Efficiency appears to be strongly correlated with rural poverty impact and with overall project achievements.** While projects rated satisfactory or better on efficiency had a 97 per cent satisfactory rating in terms of overall achievements, only 11 per cent of the projects with an unsatisfactory (rating of 1 or 2) efficiency rating were rated moderately satisfactory or better. Similarly, in terms of rural poverty impact, while high-efficiency (rating of 5 or 6) projects had moderately satisfactory or better impact in 87 per cent of the cases, for low-efficiency projects this fell to a mere 17 per cent. The performance on efficiency was also correlated, although to a lesser degree, with ratings for sustainability and for innovation and scaling up. These correlations suggest that efficiency as reported by IFAD can, in most cases, be a good proxy for higher-level efficiencies in terms of outcomes and impacts.

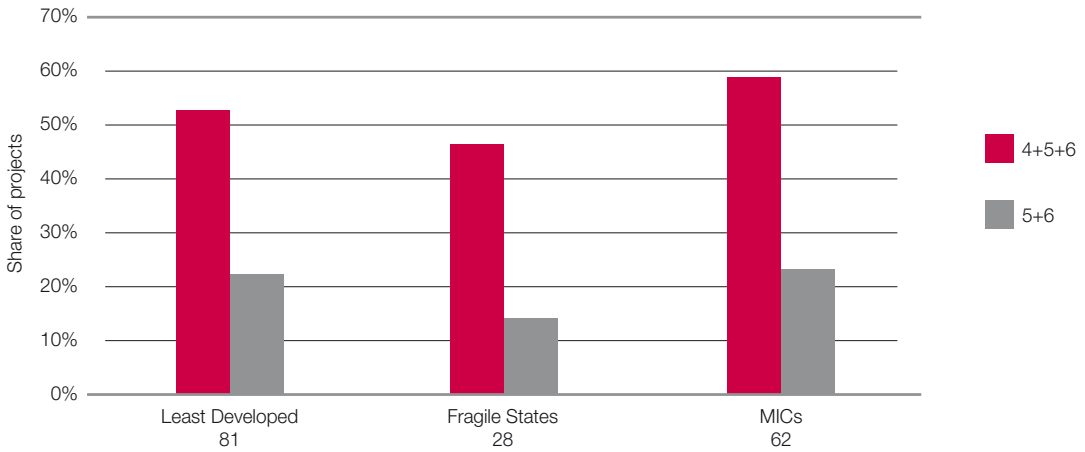
41. **Not surprisingly, efficiency is significantly lower in the fragile states than in MICs.** More generally, projects in the least developed countries have lower efficiency and outcomes than in other countries (figure 4). Since Least Developed Countries represent IFAD's primary clientele under its mandate, improving the performance of its portfolio in these countries is critical to building and sustaining IFAD leadership in its niche areas. In particular, given the capacity constraints of the fragile states, the reported results would argue for greater customization of IFAD's products to that client group – a direction already being promoted by IFAD as a principle of engagement under its 2011-15 Strategic Framework.

42. **Low efficiency appears to correlate with delays in implementation and those between project approval and effectiveness.** While efficiency is rated moderately satisfactory or better for 80 per cent of projects becoming effective within six months of approval, it drops to 47 per cent for projects taking more than 24 months to become effective. Similarly, for projects with completion delayed more than one year beyond the planned completion dates, the efficiency drops from 70 per cent to 55 per cent. Completion of over half of IFAD-supported projects is delayed by more than a year and for one in six, by more than three years. According to the surveyed CPMs, cumbersome decision-making processes within government and within IFAD are among the main causes of these delays. Political interference in the appointment and retention of key project staff in the host countries adds to the implementation delays.

43. **Although the efficiency of cofinanced and non-cofinanced projects is similar, the former do significantly better in their rural poverty impact, innovation and scaling up and sustainability (table 3).** This suggests that cofinancing is a desirable direction, even though it may not contribute much towards increasing project efficiency per se. Indeed, institutional efficiency of programme management may even go down due to added implementation complexities associated with the requirements of multiple donors. The evaluative results here argue for care in using results from efficiency analysis – excessive focus on institutional efficiency can, in some cases, go counter to the imperatives of high impact efficiency.

FIGURE 4

Efficiency by country group



Source: IOE's ARRI database.

TABLE 3

Cofinancing versus project performance

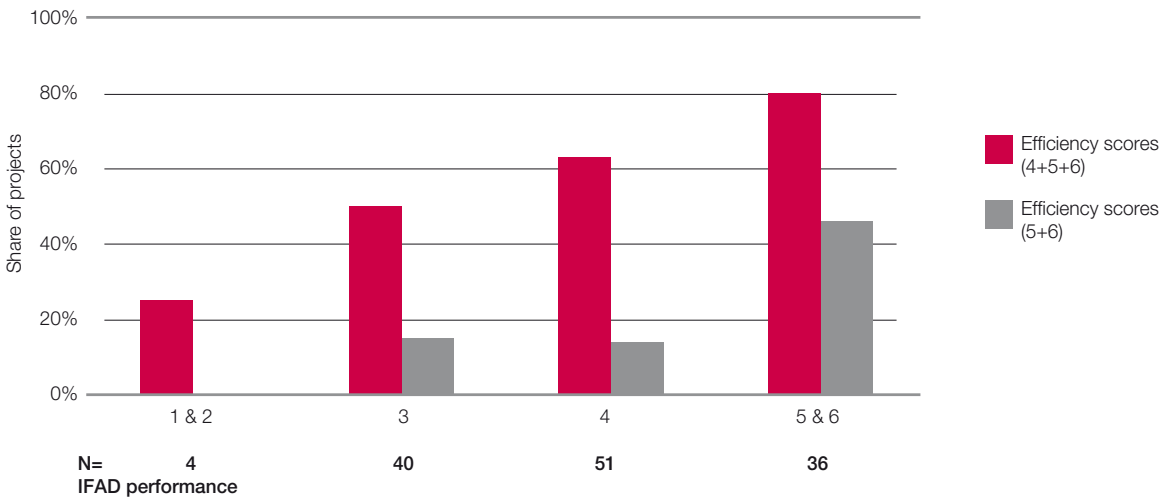
Criteria	No cofinancing (N=53)		Cofinancing (N=116)	
	4+5+6 %	5+6 %	4+5+6 %	5+6 %
Efficiency	56%	21%	60%	23%
Overall project achievement	71%	22%	80%	27%
Project rural poverty impact	65%	25%	80%	32%
Innovation and scaling up	65%	31%	78%	38%
Sustainability	44%	10%	62%	19%
Relevance	94%	68%	93%	58%

N = Number of observations
Source: IOE's ARRI database.

44. **Project efficiency ratings are closely associated with IFAD's own performance as a partner (figure 5),[65] confirming that how IFAD does its job makes a difference in project outcomes.** Past evaluation results suggest that improving IFAD's own performance from moderately satisfactory or better to satisfactory or better would yield high payoffs in terms of overall achievement, poverty impact and, importantly, scaling up (figure 6). For example, achieving the stretch target of 100 per cent satisfactory (or better) rating for IFAD's own performance would mean roughly a 15 per cent gain in overall poverty impact and development effectiveness. That would mean moving approximately US$300 million dollars of IFAD-supported investments from less than satisfactory to the satisfactory or better category (ratings of 5 or 6) annually, underscoring the potentially large gains from efficiency-improving initiatives. Again, the high pay-offs of excellence in IFAD's own performance should caution against excessive fixation on narrow output-based measures of efficiency that may not improve overall development effectiveness. Demonstrated excellence by IFAD in its operational work will also be a prerequisite for getting other partners interested in scaling up. Accordingly, while moderately satisfactory performance may be appropriate for benchmarking vis-à-vis other IFIs, given IFAD's business model and aspirations, it cannot be the basis for driving IFAD's organizational norms and behaviour.

FIGURE 5

Efficiency scores by IFAD performance

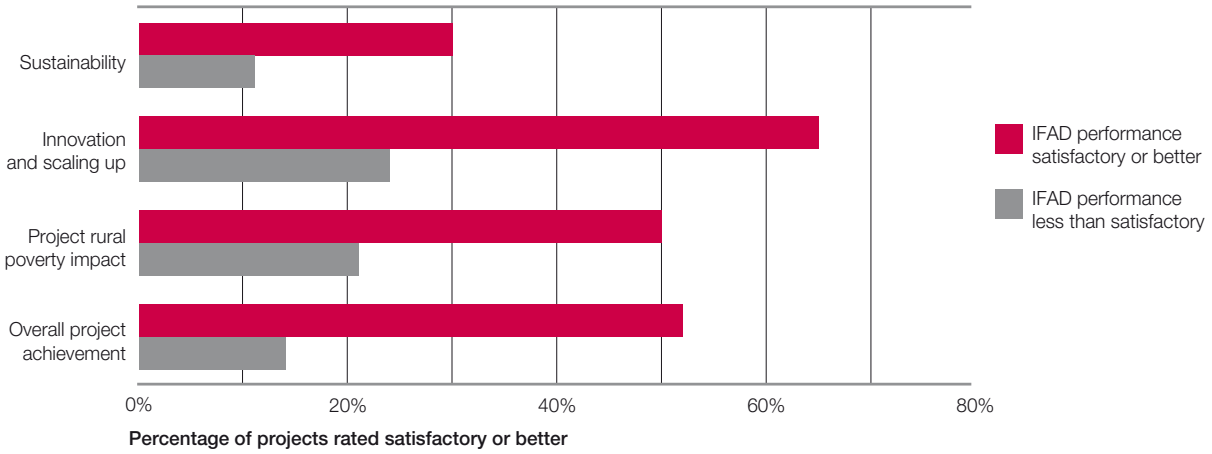


Source: IOE's ARRI database.

[65] As well as the host government performance.

FIGURE 6

IFAD performance and outcomes



45. **IOE ratings of IFAD performance as a partner suggest noticeable improvement in recent years but there is scope to do better.** Disaggregation of the IOE evaluation data by the year of closing indicates that for projects closed after 2009, IFAD's performance was moderately satisfactory or better in 85 per cent of the cases compared to 60 per cent for projects closed before end-2009. Performance at the satisfactory or better level has also improved from 24 per cent to 41 per cent. Self-evaluation data from PMD suggests further improvements with IFAD's performance rated satisfactory in 49 per cent of the projects closed during 2010-12.[66] This would suggest that the changes introduced through DSIS and enhanced country presence are, as intended, having a positive impact on the quality of client services provided by IFAD. However, with IFAD performance still less than fully satisfactory in half of the projects, there is scope for doing better. Improved support during project preparation to assure better designs is one important element of this. Equally important is the provision of timely guidance and support to clients to help address issues emerging during project implementation. Commendable progress made in recent years in improving the realism of self-reporting on portfolio status now need to be matched by proactive management of the risky projects to help improve overall portfolio results.[67]

Grants and KM

46. **IFAD's grants programme can be a source of innovation in smallholder agriculture that benefits IFAD's country programmes, but it needs further reform to achieve that.**

[66] ARPP 2011-12

[67] As per the 2011-12 ARPP, the "proactivity index" dropped from 63 per cent in 2008 to 39 per cent in 2012 compared to a corporate target of 75 per cent.

IFAD's grants programme is a fundamental instrument for achieving the organization's overall objectives. The strategic objectives of the grant programme are to promote pro-poor approaches to enhance field-level impact, and to build pro-poor capacities of partner institutions. While some grants have been highly successful, as a whole, the grant programme is uneven in its results and impact and is not yet delivering to its potential. The following factors, most of which are also documented in many CPEs conducted by IOE, hold back the impact efficiency of the grants programme:

(i) IFAD's grants programme plays an insufficiently strategic role in advancing the Fund's mandate. Grants are typically not part of country dialogue nor discussed in COSOPs. Global and regional grant programmes, particularly for agriculture research, are not linked to their possible adoption in the field in IFAD operations; opportunities for scaled-up impact are therefore reduced (Revised IFAD Policy for Grant Financing, 2009). IFAD grants are also insufficiently used to pilot the implementation of potential innovations that, if successful, could be considered for scaling up in subsequent IFAD-supported operations;

(ii) Grants are not currently used to promote client capacity in IFAD projects to help readiness for implementation and to improve project sustainability. Poor client capacity leads governments to put the entire onus of project preparation work on IFAD. IFAD's grant programme does not include support to countries for project preparation and capacity-building to help readiness for project implementation. Client capacity is also key to project sustainability. Some 83 per cent of PTA staff and 74 per cent of

CPMs surveyed believe that the use of grants for this purpose would improve overall operational performance;

(iii) Grant findings and completion reports are not routinely made available by IFAD in publicly accessible formats, which limits the opportunities of learning from the grant findings and likely also limits value-for-money realized on grants;

(iv) The grant approval process, even after its recent revision, is repeatedly cited in interviews with CPMs as being overly cumbersome and a deterrent to their use; and

(v) Grant monitoring and supervision has been a limitation that was cited in the revised IFAD policy of 2009 and is still an issue. This is exacerbated by the large number of small grants and the associated higher transaction costs that negatively affect institutional efficiency.

47. **There has been increased attention to KM, since the KM strategy was adopted in 2007, but implementation has fallen short of expectations.** Among the more notable accomplishments are learning fairs, meetings of project managers at the country and sometimes regional level to share experiences and portfolio reviews that are held annually in PMD and in regions for discussing implementation results and lessons with all staff. Some regions have engaged experienced professionals to conduct an independent quality review of DSIS products, with findings reviewed in meetings of all operational staff. In recent years PMD has also made efforts to build in-house capacity by providing training opportunities in operational areas such as supervision, procurement and loan administration. Other initiatives are also being taken to improve KM. These include improvements in documentation and providing electronic access to some key documents to staff. For example, 150 project completion reports (PCRs) and their summaries that were reviewed and rated over the last six years were posted on IFAD's Intranet.

48. **On the other hand, KM in country programmes has not yet been sufficiently focused on scaling up IFAD's impact on the ground, and staff interviews and surveys are clear that staff believe that more can be done.** More generally, the knowledge products that were to have been key outputs under the strategy (i.e. learning notes and technical advisory notes) have been produced only sporadically since 2008. Thematic groups and communities of practice have progressed little beyond their status at the time of the strategy. More attention was given in the strategy to what was to be produced rather than to how staff work and cooperate with each other. The objectives for Learning Notes set out in the strategy were possibly unrealistic given the demand they would place on the time of IFAD's limited technical staff. Also, the CLE on gender found that IFAD has not done enough to learn from failures in its gender work.

49. **With the new Strategy and Knowledge Management Department (SKM), there is an opportunity to take a fresh approach to KM, including the undertaking of development studies.** In IFAD there is insufficient mining of the rich knowledge embedded within the operations it funds. Since the most relevant knowledge for IFAD in furthering its scaling-up mission comes from IFAD's experience in implementing its projects and grants, the linkage between PMD and SKM will be important to both departments. The establishment of the Statistics and Studies for Development Division in SKM is useful to strengthen IFAD's capabilities for generating knowledge through specific development studies. Responsibility for QA and for global grants has recently been transferred to SKM. This should preserve the arm's length relationship of the QA function with respect to projects and country and regional grants under the responsibility of PMD.

Delivery model

50. **IFAD has made major structural changes to its business model to improve the effectiveness of IFAD's programme management.** DSIS and the strengthening and expansion of country offices have brought fundamental changes to the way IFAD conducts its business. Whereas the IFAD Policy on Supervision and Implementation Support (2007) estimated that the majority of loans would be supervised by IFAD by the end of the tenth year, the transition was achieved by about mid-2010. Country presence and DSIS are closely interrelated in that country offices are directly involved in all aspects of DSIS. Country presence and DSIS have been credited in a number of Management and IOE reports with having improved the quality of IFAD's implementation support, policy dialogue, partnerships and KM.[68] These conclusions seem plausible based on interviews with IFAD staff, managers and consultants, and a review of the documents. While the implementation of IFAD's direct supervision was expedited, capacity constraints within IFAD, especially staff

[68] See IFAD Country Presence Policy and Strategy, 2011, the IOE Comments on the Country Presence Policy and Strategy and IOE's Synthesis Report on IFAD's DSIS, October 2011.

training and the development of appropriate policies related to DSIS and country presence and contractual obligations with cooperating institutions resulted in some delay and lag in benefits. Given this lag, the full impact of the new operating model on portfolio performance will only be evident in the coming years. Available data on the staff costs of DSIS are insufficient to compare costs before and after the change, and thus to make a determination of the efficiency of these changes. However, as noted below, the cost of country presence is likely to be an issue in the future unless countervailing savings are identified at headquarters.[69]

51. **PMD has identified and is now regularly reporting on a number of performance indicators where improvement can lead to lower administrative costs and therefore improved programme management efficiency, if quality and volume are maintained.** These include the average time for processing withdrawal applications (which improved from 35 days to 29), the time overrun of completed projects (which fell from 39 per cent to 19 per cent) and the average time from project approval to first disbursement (which improved from 21 months to 19).

52. **While efficiency indicators that measure IFAD's administrative cost per dollar of IFAD's POW have shown improvement, the same is not true in terms of quantities of deliverables.** Table 4 shows the number of key IFAD deliverables from 2007 to 2011. The total number of deliverables increased during the period, and as noted earlier, the value of deliverables increased significantly. However, the total number of deliverables increased at a slower rate than the budget of PMD. Comparing the two-year average unit cost of the total deliverables from 2007 and 2008 with the average unit cost of 2010 and 2011, there was an increase in unit costs of about 20 per cent during the period.[70] However, if one takes into account the resource transfer associated with the projects, and compares the average value of PMD's budget divided by the dollar value of IFAD's POW for the years 2007 and 2008 with the average value in the years 2010 and 2011, there is a decrease in cost per dollar transferred of about 30 per cent.

[69] IOE is currently undertaking a CLE on IFAD's Policy on Direct Supervision and Implementation Support where more data will be made available.

[70] Ideally one would compare the cost of producing individual types of products from year to year. However, IFAD accounting systems do not allow this. The fact that the percentages of different products have not changed significantly from year to year give credence to the analysis.

These results stem in part from a conscious Management decision to increase average project size without increasing the number of operations, which is consistent with a desire on the part of Management to increase impact efficiency. Impact may be related to the dollar amount transferred, while the cost of delivery is more closely associated with numbers of outputs. The two measures of efficiency point in different directions: In terms of output efficiency, the numbers indicate that unit costs have increased while output efficiency has decreased, as measured by the cost of producing the deliverables during this period.

53. **There are a number of factors that could explain the increase in unit costs.** These include: the number of country offices doubled during the period; IFAD took over direct responsibility for supervision; the Environment and Climate Division was created; some staff transferred from the former policy division that was outside of PMD and a number of new staff were hired as a result of the gender policy and the KM strategy. All of these could lead to eventual longer-term beneficial impact, which could improve impact efficiency, even though the efficiency of delivering the number of outputs declined. Unfortunately, data on the cost of individual outputs (e.g. the average per-project cost of loan processing up to approval, the annual cost of DSIS per project) that includes the cost of staff time is not available at IFAD. This makes monitoring such unit costs and setting regional targets for efficiency improvements impractical at this time. The CLE recommends the monitoring of unit direct costs of outputs as an indicator underlying the broader indicators of output efficiency.

54. **IFAD has moved proactively to fill the gap in policies, guidelines and procedures that was noted in the IEE, yet implementation and inadequate funding of the policies are still issues.** The IEE noted that IFAD had few operational policies and few policies governing internal processes. This has changed dramatically. Between 2006 and 2011, some 57 new or revised policy papers were submitted to the Board. Among the policy and strategy documents are KM, grant policy, land, innovation, environment and natural resources, rural finance, private sector, gender, and risk management. Interviews with staff and managers, as well as comparisons of selected documents with subsequent experiences, indicate that implementation and inadequate funding are issues in many cases. This has also been highlighted by IOE in their written comments on key corporate policies approved by the Board.

TABLE 4

Evolution of work programme, budget and output costs 2007-2011[a]

	2007	2008	2009	2010	2011
Number of loan and DSF grant approvals	34	29	32	33	34
Number of grant approvals	77	70	99	88	83
Projects under implementation in portfolio	196	204	219	233	240
Number of approved COSOPs	15	9	9	6	8
Total weighted[a] deliverables (number)	95	90	100	103	105
Programme of work (US$ millions)	1 215	1 144	1 363	2 427	2 191
PMD administrative budget (US$ millions)[b]	51	58	61	72	79
PMD admin budget/total weighted deliverables (US$ thousands)	540	645	608	699	750
Output (number) efficiency (2007 = 100)	100	84	89	77	72
PMD admin. budget/Programme of work	4.2%	5.1%	4.5%	3.0%	3.6%
Output (US$ volume) efficiency (2007 = 100)	100	83	94	141	116

[a] Weighted by estimated average cost of each deliverable.

[b] Budget data has been used since reliable expenditure data is not consistently available. Actual expenditures, especially for staff, are often lower. In 2010, PMD's administrative budget for staff increased from 179 to 196 FTEs. Some staff transferred from the former policy division to PMD and some new staff were hired as a result of the gender policy and the KM strategy.

Source: PMD.

55. **Despite more formal policies, guidelines and procedures, decision-making processes also appear to be in need of improvement.** There is a concern among significant numbers of staff that the pendulum may have swung too far in formal policies, guidelines and procedures, leading to a "process compliance" culture with cumbersome decision-making that requires multiple approvals and sign-offs. Such processes are costly in the use of staff and managerial time, and affect operational efficiency. In the CLE survey, nearly 100 per cent of both CPMs and technical staff at least partially agree that time-consuming administrative work makes institutional efficiency suffer significantly, with 86 per cent of CPMs and 89 per cent of technical staff agreeing or strongly agreeing. Institutional efficiency is also hurt by cumbersome internal decision-making processes according to 97 per cent of CPMs, 100 per cent of technical staff and 75 per cent of managers. Slow implementation of decisions was also cited as a problem by 95 per cent of technical staff, 77 per cent of CPMs, and 92 per cent of managers (see also results of surveys of CPMs, Technical Staff and Managers, annex 9).

56. **IFAD has a limited number of staff with technical skills to apply to IFAD's core programme of project design, DSIS, partnership, policy dialogue and KM.** If IFAD aspires to improve project quality and to enhance the possibility for scaled-up impact, it needs to ask whether it has the critical mass of staff with globally recognized thematic and technical expertise to accomplish its goals. Regional divisions generally do not have specialized technical staff with expertise in agriculture or agronomy.[71] PTA is the institutional source of technical staff skills. PTA currently has about 20 professional staff on board. Only eight PTA staff members have technical or economics degrees in agronomy, agriculture, or rural development. PTA has an additional complement of 14 consultants, but none of these are agronomists or rural development specialists. In any case, long-term consultants do not go through the same vetting process as staff, and are not an equal substitute. In countries where country programme officers (CPOs) are hired with technical skills, this does add staff with expertise available to support country work, but their experience is generally limited to one country.

57. **The CPM model is under stress due to changes in CPM responsibilities and insufficient support.** CPMs are at the heart of IFAD's delivery model. In the past, CPMs were primarily process managers who relied on other institutions to design and supervise IFAD-financed operations. Now they are required to develop IFAD's country

[71] In addition to CPMs and regional economists, IFAD's regional divisions have skills that sometimes may include a KM specialist, an environment/climate specialist, a gender specialist, or portfolio adviser.

strategy, engage in policy dialogue, promote scaling up, formulate concepts for projects and grants, manage technical experts in project design and implementation, address government process and institutional issues, translate lessons learned into new project concepts, manage country relationships and handle additional mandates such as climate change, gender, private sector development and scaling up. They do this work with considerable support from consultants. However, they receive little support in the field from other IFAD professional staff, including IFAD technical staff. In 2011, of the total number of staff and consultants working on project formulation missions, only six per cent were IFAD country office (ICO) staff and five per cent were other IFAD staff.[72]

58. **The lack of substantive field support to CPMs by other IFAD professional staff hinders both efficiency and effectiveness.** Project management has been consistently cited by ARRIs from 2003 to 2010 as a factor negatively affecting efficiency. The 2011 ARRI also noted that IFAD could do more to support government capacity-building, and that institutional and risk analysis is weak across countries and regions. Policy dialogue and efforts at scaling up have been cited in a number of CLEs as needing strengthening. These are all matters where IFAD staff has a comparative advantage over consultants. The lack of professional staff support to CPMs inevitably means that some of these key matters get less attention than they should, which can affect both effectiveness and efficiency.

59. **IFAD's project delivery model relies heavily on consultants, including consultant-led concept, design and implementation support missions.** Some CPMs lead these missions and others participate only at the end of a consultant-led mission. PMD has begun an effort to have CPMs lead important missions. This process is being backed up by an in-house training programme. In 2011, some two-thirds of DSIS missions were led by CPMs,[73] however, only 46 per cent of project concept and design missions were led by CPMs.[74] IFAD uses consultants at a far higher rate per staff member than other IFIs. The staff-to-consultant ratio for IFAD as a whole has been 2:8 versus 5:8 for other IFIs.[75] For PMD, in 2011 the ratio of IFAD staff to consultants in project preparation from concept to approval, based on number of days of input, was around 1:3,[76] interacting with clients in the field, where staff could be most useful, IFAD's use of staff relative to consultants is very low.

60. **While there are good reasons for IFAD to continue to use consultants at a relatively high rate, for some tasks consultants are not a good substitute for staff.** Consultants are less expensive than staff and they can bring fresh ideas and missing technical skills. Also, it is not economical to recruit a full-time staff to cater to a speciality service required for limited duration. This CLE does not take the position that IFAD staff should replace a majority of consultants, or that IFAD staff will necessarily be better technical experts than consultants. Rather the CLE position is that IFAD staff is better suited than consultants for certain important types of work that are critical to success. For example, consultants cannot substitute effectively for IFAD staff in policy dialogue with governments, addressing institutional issues, building partnerships for scaling up, translating experiences from DSIS to new project design, negotiations with government on project elements or even measures to accelerate implementation.

61. **Overreliance on consultants can also limit institutional learning since knowledge gained on consulting assignments is retained by the consultant and may be lost to the institution.** Consultant teams typically work with individual CPMs and rarely have opportunities to share experience with consultant teams working with other CPMs. Combined with the CPM-centric organizational structure, this leads to organizational and knowledge silos. The existence of organizational silos was a factor cited in the IEE report as militating against a needed learning culture in IFAD. Given the vital importance of IFAD missions to its client work, outsourcing mission leadership to a consultant who is not vetted institutionally and who has no long-term institutional responsibility is risky in light of the prominence of institutional and project management issues in project success.

62. **A relatively small substitution of staff for consultants would permit substantial IFAD technical staff support to operational missions.** By way of example, if an objective were adopted to have an IFAD technical expert participate significantly in every new project (say eight weeks, including two missions per project), plus 25 per cent of supervision

[72] The Efficiency of the Project Design Process, Office of Audit and Oversight, draft (not reviewed by auditees), IFAD. May 2012.

[73] Discussions with PMD Management.

[74] The Efficiency of the Project Design Process, Office of Audit and Oversight, draft (not reviewed by auditees), IFAD. May 2012.

[75] IFI strategic planning and budgeting website database, 2009.

[76] CLE calculation based on data in The Efficiency of the Project Design Process, Office of Audit and Oversight, draft (not reviewed by auditees). IFAD. May 2012.

missions (three weeks each, including two weeks in field) plus all COSOPs (four weeks each) this would require about 485 staff weeks under the IFAD 2011 work programme. This is less than five per cent of PMD's consultant usage in that year. Part of the cost of additional technical staff could be offset by a small reduction on consultant usage. If 15 technical staff were added during each of the next two replenishment periods, this would allow significant IFAD technical input to all IFAD operations.

63. **PTA can play a critical role in providing cross-country, cross-regional knowledge and an institutional perspective on IFAD's work programme.** However, unless the mandate, role and staffing of PTA is changed, there is no natural "home" for a critical mass of technical skills to staff teams and engage in fieldwork in support of the regional programmes.

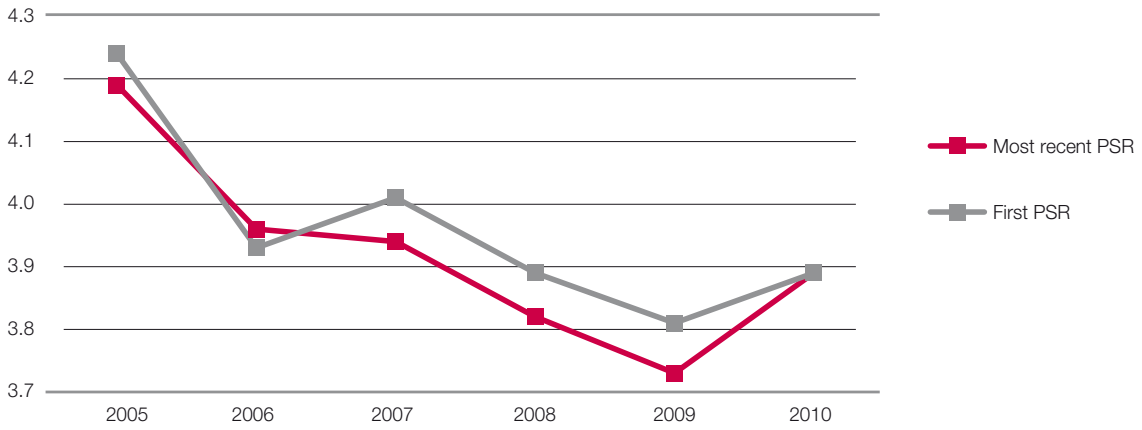
64. **IFAD costs for project processing and for supervision are within the range of costs of other IFIs, but other IFIs benefit from recipient country project preparation often funded by third parties.** IFAD project processing costs from initial concept to approval are on the order of US$400,000 per project, including staff time, compared with about US$290,000 for the Asian Development Bank (ADB) and about US$500,000 for the World Bank (US$400,000 for agriculture and rural development investment projects). Both ADB and World Bank-financed projects have been able to benefit from funding such as that provided by trust funds from various governments and the Japanese government's Policy and Human Resources Development (PHRD) fund.[77] The trust fund resources are generally managed by the IFI while the PHRD is a grant to governments made at the request of the IFI. In FY 2011 and 2012, on average, each World Bank agriculture and rural development project benefited from over US$50,000 in trust fund support for project preparation. Up until 2009, when it was restructured to focus on specific sectoral priorities, the PHRD programme provided project preparation grants administered by the World Bank, with an average grant size of around US$600,000 for agriculture and rural development projects that received a grant. IFAD projects, on the other hand, rely exclusively on IFAD's own administrative budget to fund project preparation. While formally recorded IFAD project delivery expenditures are similar to the World Bank, it is fair to say that in many other respects, IFAD is handicapped: its counterparts have weaker capacity, its projects are located in remoter areas, its non-lending activities are limited, its projects are more innovative, and it has no trust funds to complement its administrative budget. For IFAD-supported projects, funding for baseline surveys, detailed technical designs, and client capacity-building assistance are typically funded by loan proceeds and these funds are only available after project approval. This negatively affects readiness for implementation. IFAD project preparation therefore may be underfunded, as it relies exclusively on its own administrative budget. Direct supervision costs at IFAD are on the order of US$100,000, while that of ADB is about US$86,000 and the World Bank is about US$120,000. Efforts to improve quality may result in higher costs for project processing and supervision. Given the prospects for zero budget growth in the coming years, the increase in cost would need to be offset by efficiency gains in other areas.

65. **IFAD projects suffer from issues of readiness at time of approval, which affects implementation performance.** Lack of readiness at approval is indicated by several factors. IFAD projects exhibited a significant lag between approval and first disbursement of approximately 19 months in 2011. (However, this represents a recent improvement over the 2008 baseline of 21 months). The 2011 Annual Report on Quality Assurance noted that some 60 per cent of projects reviewed annually require considerable design modifications. It recommends that more be done earlier in the design process to improve quality. After approval, the initial Project Status Report (PSR) ratings for recent cohorts of projects are low, and have been declining since 2005. However, there was an upward trend from 2009 to 2010 (figure 7). All of these factors suggest that poor quality at entry is a long-standing issue. The figure also suggests that supervision is having minimal impact in improving PSR ratings during the early years after a project is approved and is under implementation. This is despite the fact that many CPMs and regional directors noted that IFAD projects are often not blueprint projects, but are designed to be flexible so they can be adjusted during implementation to account for experience. The concept of flexible projects is an appealing and potentially useful one that gives further importance to IFAD inputs

[77] Trust funds are provided by various member countries and are managed as a supplement to the World Bank internal budget. The PHRD project preparation facility was provided to governments to allow them to finance technical assistance to support their own responsibilities for project processing, capacity-building and project implementation. The project preparation technical assistance under the PHRD programme has recently been discontinued and has been restructured to support priority initiatives in specific sectors.

FIGURE 7

First PSR rating vs. the most recent PSR rating for cohorts of projects approved in a given year



Source: IFAD PSR online database.

during the implementation stage. But there is little technical or institutional review of adjustments made to project concepts or designs during implementation. The limited amount of technical input and management attention during implementation seems inconsistent with the concept that IFAD-funded projects are intended to embody flexible designs.

66. **The practice of a heavy QE desk review process followed by a QA review prior to approval does not address the need for more staff attention to quality at the early stages of design and more technical and managerial input during implementation.** IFAD has two substantial quality reviews: QE, followed less than three months later by QA. QE originally was expected to provide peer support, but has become a formal desk review with five to seven reviewers and considerable but often pro-forma documentation. While the establishment of QE was understandable as a response to the IEE, the process evolved to become costly and inefficient. Data from a sample of projects in 2011 by AUO indicates that more IFAD staff days were spent on review (OSC review, QE review, QA review and follow-up – 60 per cent) than on actual concept formulation and design (40 per cent).[78] This does not seem to be an efficient use of scarce staff time. The focus on review has diverted staff and management attention away from the need to get quality right from the beginning and improving technical support during implementation. Recent changes[79] to the QE process that have been adopted now make space for PTA staff to go on selected missions and provide advice and support through a country programme management team (CPMT). However, this welcome shift still mostly increases desk support to the CPM. Desk support is not a substitute for IFAD technical staff participation in and support to all key field missions. Provision of IFAD technical support to field missions on a consistent basis will require a substitution of staff for consultant resources as noted above. The recent changes in the QE review may also have consequences for the QA review, e.g. the QE changes may imply a need to adjust the timing or scope of QA.

67. **The workload among CPMs varies considerably but there are no mechanisms for cross-country or cross-regional support to better balance workloads.** A simple indicative analysis of country programmes and portfolios illustrated in figure 8 indicates that, over a three-year period, the average workload of CPMs[80] can vary significantly – by as much as a factor of 10. The variation within regions can also be of a similar magnitude. A mechanism under which one CPM provides support to another would result in more even staff utilization and better output efficiency. However, CPMs receiving support would want to be sure that any assistance they get would be substantive. This would require an agreement that a CPM providing support would deliver a specific output in an agreed timeframe to another country programme. However, such a mechanism seems to run counter to the culture of CPM autonomy, and no region appears to utilize such a mechanism. The lack of a time-recording system for staff time makes it more difficult to monitor and manage the efficiency

[78] The Efficiency of the Project Design Process, Office of Audit and Oversight, Draft (not yet reviewed by auditees), IFAD. May 2012.

[79] Transmittal document to OMC/EMC on The Revised QE Process, June 6, 2012.

[80] Supported by associated CPOs where appropriate.

of staff utilization. The extent to which the workload imbalances might be attributable to underperformance, and to what extent they are attributable to other organizational, cultural, and systems factors, is not clear.

68. **Improvements in balancing the workload among CPMTs could also reduce the number of CPMs needed.** During the three-year period reviewed, the Near East, North Africa and Europe Division had the smallest disparity between the CPMTs with the largest and those with the smallest three-year work programmes. If other divisions increased the workload of their lowest workload teams to that of the lowest in the Near East, North Africa and Europe Division, IFAD could maintain its current form with some 10 fewer CPMs. PMD is currently moving to have CPMs lead significant missions and to increase policy dialogue associated with scaling up. Since this will increase CPM workload, PMD is proposing to hire additional CPMs to accommodate the function of mission leadership. However, better workload rebalancing could offset the need for new hiring.

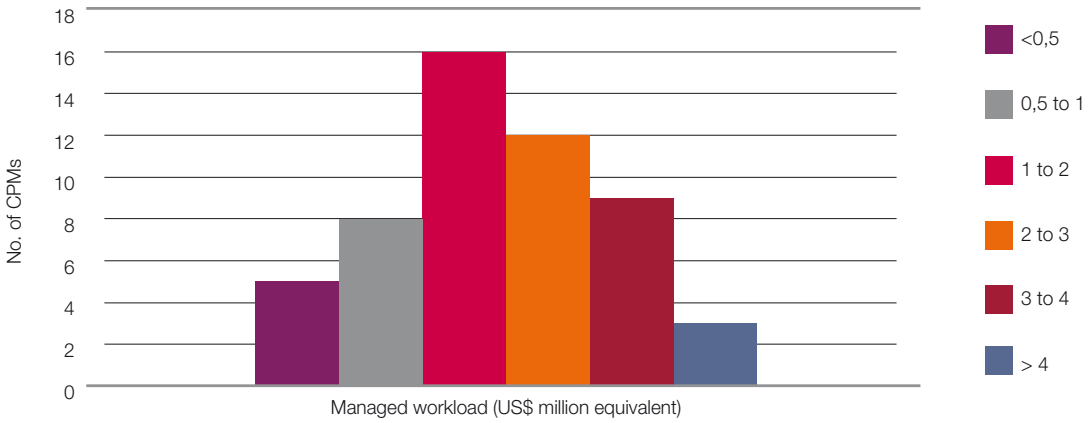
69. **The regional director's role in managing CPMs is important because of the centrality of the CPM function, but regional director accountability is insufficiently defined.** Discussions with CPMs and with regional directors indicate that the extent of substantive regional director oversight of operations in their regions has been variable. Regional directors ensure that resources are balanced with the regional work-programme and that the programme is delivered in a timely manner. However, the functional accountability of regional directors for managing country presence staff, the quality of regional products, and the work and workload of CPMs is, in practice, insufficiently clear. It has been clouded further by the broad mandate of the OMC, which in the past has dealt with issues that could have been dealt with at the regional director level. An attempt to address the OMC agenda is now being made through efforts to ensure that any decisions that can be taken at the line manager level are taken at that level and not routinely brought up to the OMC.

70. **Regional directors' O&S is even more critical with expanded out-posting of CPMs.** With more and more work being delegated to the field, the responsibilities of regional directors vis-à-vis the CPM and country office staff (managed by CPMs) is changing. These changes will be magnified when a significant percentage of CPMs are outposted. Outposting of CPMs will reduce face-to-face contacts between regional directors and CPMs. While technology can offset some of the negative consequences of reduced face-to-face contact, it is unlikely to be a perfect substitute. This suggests that the role of headquarters managers in supporting outposted CPMs will be more of a challenge in the future.

71. **It is important to maintain an IFAD institutional perspective on quality even after outposting of CPMs.** It will be important to get the regional director role and other roles right if an institutional perspective on quality is to be maintained. Outposting of CPMs will

FIGURE 8

Analysis of CPM managed workload*



* Estimate of effort, measured in dollar terms, expended on COSOPs, project design, and DSIS over a three-year period, 2009-2011. This analysis does not include CPM efforts in policy dialogue or scaling up, for which quantitative estimates were not available. It also does not factor in the contribution of CPOs.

Source: Regional Division Annual Report on Portfolio Performance.

reduce direct contact of CPMs with CPMs from other regions. Mechanisms to ensure that cross-country and cross-regional knowledge sharing takes place, e.g. perhaps by headquarters technical staff participating on field missions, will grow in importance. The vision of how a decentralized IFAD will operate and of how regional directors will exercise their responsibility in such a decentralized environment needs still to be articulated more broadly.

72. **The span of managerial oversight of P staff[81] in PMD regional divisions has increased in line with the increase in staffing and now averages about 22 in the PMD regional divisions (excluding consultants) at headquarters, and about 30 when considering the country office staff.** This is about three times as wide as units outside PMD and considerably more than in comparator organizations (with the exception of the World Bank). A large proportion of CPMs are senior staff (at the P-4/P-5 level). If CPMs are considered supervisors, the regionals directors' span drops to an average of almost 11. The appropriateness of current levels of span of control will be affected by the outposting of CPMs.

73. **While much has been achieved since country presence was initiated, the increase in cost of IFAD country offices appears to be an issue that needs to be studied.** Currently, around 40 IFAD country offices are operational in different regions. IFAD's approach to setting up country offices has been different from other international organizations: in most cases IFAD has preferred to explore co-hosting arrangements, especially with other United Nations organizations (in particular FAO and in some cases the World Food Programme [WFP]) and tried to contain costs by limiting asset accumulation. Independent evaluations repeatedly highlight the wide-ranging benefits of IFAD's country presence, especially for greater development effectiveness on the ground. In recent years IFAD has also taken a more systematic approach to the establishment of country offices – including issuing comprehensive guidelines for IFAD country offices and incentives to the outposting of CPMs. An interdepartmental coordination group was formed in 2012 to ensure the more orderly setting up of country offices, and to ensure that their requirements are met in a timely manner.

74. Nevertheless, IFAD's survey of other comparator organizations points out that all had higher decentralization costs than originally planned. There is a danger that similar cost increases could pose problems in the future for IFAD. In fact, the cost of running a country office is not among the criteria for determining priorities among the countries where offices are not yet established. The recently introduced incentives for P staff assigned to country offices illustrate the pressures leading to higher costs.[82] The cost of country offices in 2010 was estimated at US$6.5 million.[83] In 2011 the budget for country offices was US$11.5 million and in 2012 the budget is US$12.3 million.[84] As mentioned above, IFAD is trying to keep the size of country offices relatively small and efforts are currently being made to limit the number of country staff. However, the assumption used in the Country Presence Strategy that staff in country offices (except outposted CPMs and other international staff) represents a savings needs to be assessed carefully on a case-by-case basis, as it appears that the number of country offices and costs are rising without offsetting reductions in Rome. Such higher costs reduce efficiency unless proportionately higher benefits are achieved. Further efforts in taking into account, on a case-by-case basis, the costs as well as the benefits of expanding country presence and deploying CPMs could result in efficiency gains.

75. **Innovation and scaling up are critical to IFAD's mission and need greater attention.** The 2010 CLE on innovation reinforced IFAD's longstanding recognition of the vital importance of innovation and scaling up, and noted that "scaling up is mission critical for IFAD." In particular, the evaluation concluded that as a multilateral development institution with relatively limited resources, IFAD should further intensify and focus its efforts in promoting innovations (especially in the area of agriculture technology), which can then be scaled up by other partners such as governments, MDBs, large foundations and the private sector for wider impact on rural poverty. Successfully piloting innovations and demonstrating scalability and sustainability through IFAD-funded activities should therefore be at the core of IFAD's scaling-up agenda. It should be noted that IFAD's achievement in mobilizing resources from international (non-domestic) sources is affected, at least in part, by the low level of donor financing for agricultural and rural development in the past. Despite this trend, IFAD was very close to achieving the cofinancing target agreed with its members in the Eighth Replenishment.

[81] Included in this P staff definition are national staff in field offices, who are employed at the Professional equivalent grades.

[82] IFAD Information Circular IC/HRD/03/2012, 18 May 2012.

[83] IFAD Country Presence Policy and Strategy, April, 2011.

[84] IFAD's 2012 results-based POW, December, 2011.

76. **The 2011-2015 Strategic Framework rightly recognizes scaling up as a key guiding principle of engagement for IFAD.** Excepting a few notable successes (e.g. in the Uganda Vegetable Oil Development Project), IFAD's overall performance in leveraging partner resources – which should be at the core of the agenda – for scaling up appears rather mixed. Project-level evaluative data from IOE reports 90 per cent moderately satisfactory or better ratings (45 per cent at the satisfactory or better level) on innovation and scaling up, making this one of the better-performing dimensions of project performance for IFAD.[85] By contrast, a recent review of scaling up commissioned by IFAD Management concluded that scaling up has not been a systematic focus of IFAD's country and thematic programmes. The review also noted that most operational policy, guidance and evaluation documents treat scaling up as an afterthought and that the scaling up agenda needed stronger staff and managerial incentives. Innovation and scaling up were also noted as an "underperforming" area during the quality-at-entry reviews by the QA Secretariat.

77. **In recent years, IFAD has made significant progress in mobilizing cofinancing from domestic resources but that has not been matched by similar success with external partners.** Over the past ten years, IFAD financing of US$5.2 billion was accompanied by financing of US$2.7 billion from non-domestic sources and US$3.6 billion from domestic sources, providing an overall leverage of 2.2.[86] More recently, data from 2009-11 approvals indicates overall cofinancing increasing roughly in step with IFAD financing – significantly increased contributions from domestic resources (from US$289 million in 2007/08 to US$889 million in 2011/12) offsetting declining share from international partners (from US$418 million in 2007/08 to US$348 million in 2011/12). Overall leverage remained around 2.2[87] – below the 2.5 target agreed under the Eighth Replenishment. IFAD's overall leverage is very similar to the World Bank and other regional IFIs even though, given their much larger resource base, scaling up is not an integral part of their organizational priorities. Further strides are necessary, especially with external partners, if IFAD is to make the intended impact on rural poverty reduction at the global level.

78. **Survey results indicate strong support for the need to do better on leveraging and scaling up.** Eighty-three per cent of the CPMs and 89 per cent of the technical staff agree that IFAD's effectiveness could be increased significantly by greater attention to scaling up. There has been inadequate attention in the past to: specifying a strategy for scaling up in COSOPs; building stronger relationships with partners to help identify innovative approaches to be incorporated in IFAD-supported projects and grants; prototype testing of potentially high-reward innovations and other demonstrated successes that may be amenable to scaling up; and effective documentation and dissemination of the innovations and knowledge generated to catalyze replication of its success by others. It should however be recognized that in the past two to three years there have been major efforts to define pathways to scaling up with the assistance of the Brookings Institution.[88]

79. **The innovation and scaling up approach would require significant rethinking about the nature of the projects supported by IFAD and the way IFAD would judge its performance.** In a successful country programme, the majority of projects will be those that replicate, expand, modify, refine and adapt scalable innovations over time with increasing levels of government and third-party financing. After demonstrated success, governments and others may sometimes pick up programme concepts and replicate them with IFAD's encouragement. However, at the beginning of the cycle, where prototype testing as mentioned above is called for, there may also be a need for smaller, simpler projects based on lighter preparation up front, but with greater support during implementation. They will involve higher risks but also potentially high rewards and will require a cultural shift from risk avoidance to risk management. Parallel changes will also be needed in QA processes as well as in the project evaluation criteria.[89]

[85] In the 2011 ARRI (p.75) IOE notes, however, the "disproportionate attention given to innovation as compared to scaling up," resulting in overstimation of performance vis-à-vis scaling up in these ratings.

[86] Leverage is defined as total POW divided by POLG; Numbers taken from ARPP reports.

[87] ARPP 2011/12, annex 4, para 25.

[88] See *Scaling up the fight against rural poverty. A review of IFAD's approach*. Global Economy and Development at Brookings, October 2010.

[89] Project preparation and QA will focus on clarifying the innovation to be tested and assuring appropriateness of the risk/reward ratio, the institutional arrangements for implementation and a functioning M&E system. Evaluation criteria will need to allow for the fact that a good fraction of the prototype-testing projects would not succeed in generating scalable models of innovations; that should be acceptable provided IFAD did its job well in identifying, appraising and supervising such projects and the portfolio as a whole generates enough "highly satisfactory" projects for follow-up support by IFAD and its partners.

Country context and processes: Implications for IFAD efficiency

80. Five country case studies covering Honduras, India, Mali, Uganda and the United Republic of Tanzania were conducted as part of the CLE. The purpose of the case studies was to develop insights and examples at the country level, particularly in relation to the implications of client context and government processes on IFAD efficiency. Client views on IFAD performance were also sought. The findings from the case studies are detailed in annex 6; the main findings are listed below.

81. **IFAD is clearly respected for its focus on promoting smallholder agriculture in the poorest regions of client countries.** Countries are highly supportive of IFAD's mandate to reach the poor. Clients also recognize that the difficult nature of the regions and rural groups that IFAD serves means significantly higher costs to IFAD for programme delivery as well as lower programme and programme management efficiency, compared to the situation of working in less difficult areas. To some extent this is an issue unique to IFAD. Even where IFAD does not have specific mechanisms to promote lessons learned and scaling up in difficult areas, there was a feeling in the countries that IFAD's successes were being picked up by governments and spread to other areas.

82. **In most cases, clients provided clear guidance on COSOP objectives and priorities.** COSOP preparation also often benefited from the country's own poverty reduction strategies. COSOPs are felt to be useful instruments for defining IFAD's programmes, and usually conform to national priorities. IFAD had good access to senior decision-makers in client countries when preparing COSOPs, but often there was limited engagement by other key stakeholders in programme formulation. Where discussions with stakeholders in the country were limited to a narrow set of interlocutors, this led to limited ownership of policies and to subsequent difficulties with implementation over time.

83. **Client capacity to prepare projects was generally weak**. Furthermore, clients tend to put the entire onus of project preparation on IFAD – which has obvious implications for IFAD's institutional efficiency. While the preparation of projects by other IFIs is similarly affected, other IFIs benefit from the availability of project preparation funds made available to their client countries by third parties. There is no grant programme readily available from IFAD to support government in its project preparation responsibilities.

84. **Projects are seen as generally well-targeted, incorporating lessons of past projects as well as attention to scaling up. However, project designs and readiness need to be improved**. Project complexity is a factor affecting project performance and efficiency, especially given that client capacities are often misjudged. Many projects were not sufficiently ready for implementation at approval. This led to implementation delays and cost overruns, which affected output efficiency. Use of PMUs/Project implementation units (PIUs). appeared to be the norm and functioned well for managing project implementation. However, heavy costs associated with many PMUs as well as their post-implementation sustainability were issues bearing on programme efficiency and effectiveness over the longer term.

85. **Client attention to the grants programme (especially of the regional/global grants) was low**. Implementation of grants was often unmonitored by government. The grants programme is poorly integrated into the COSOPs and is not usually discussed as part of country programme strategy. The focus is primarily on loan-funded investments.

86. **Expanded country presence and DSIS are considered as positive steps towards strengthening IFAD support for implementation**. Weaknesses in client capacity for fiduciary aspects, as well as complex accounting and procurement procedures, added to IFAD administrative costs and contributed to delays to project implementation. Timely release of counterpart funds was also a problem in some cases. IFAD's consultants are considered good, but they do not have the same understanding of client institutions and policies as the CPM. The CPM is therefore central to IFAD's performance. Where the CPM establishes an effective dialogue with clients, IFAD-supported programmes tend to do well. When this is not the case, the programme can falter. In large offices, like India, the CPO plays a key role in being able to maintain continuous contact with PMUs and client officials.

87. **The country case studies support the view that client country conditions and processes adversely affect IFAD-assisted programmes and institutional efficiency.** While government performance in some countries may be satisfactory, government processes are cumbersome (e.g. for the release of counterpart funds or approval of new loans from IFAD) and HR and institutional capacities (e.g. for project preparation and M&E) are weak on the whole,

especially at the lower administrative levels.[90] The studies suggest however that, except in a few areas (most notably, choice of project areas and project preparation), the overall impact is not significantly different from that for the programmes of the other IFIs.

Key points

- IFAD is well recognized and valued as an institution dedicated to the eradication of rural poverty and improving food security in developing countries.
- IFAD implemented most of the recommendations arising from the IEE and has largely delivered on the commitments under the Eighth Replenishment. It significantly expanded its POLG as well as its POW since 2009.
- Scaling up of impact through leveraging of partner resources is essential if IFAD is to make a meaningful contribution towards its overarching goals of alleviating rural poverty and combating hunger.
- Despite significant improvements over the past few years, the overall efficiency of IFAD's operational programmes is only moderately satisfactory – demonstrated success is needed to catalyse significant increases in scaling up by partners.
- Inadequate thematic focus and customization of country programmes to country contexts are constraining IFAD's efficiency and effectiveness.
- IFAD has historically focused mostly on individual projects. However, the new results-based COSOP guidelines offer prospects of country strategies that incorporate a programmatic approach to projects, country partnerships, knowledge-sharing and policy dialogue essential for scaled-up impact.
- Project efficiency and sustainability are low, at 23 per cent and 17 per cent, respectively, when measured against the bar of satisfactory or better. Highly satisfactory performance is rare.
- Complexity in design, inadequate financial and economic analyses and continued reliance on PMUs without strategies for mainstreaming them are undermining project efficiency and sustainability.
- The grants and KM programmes are potentially critical to IFAD's mandate. However, these programmes are not yet delivering value at the potential anticipated in their respective strategies.
- DSIS has been implemented faster than planned; preliminary indications of DSIS and country presence indicate positive impact on policy dialogue, partnerships and implementation support but not yet leading to improved portfolio ratings. Cost of country presence is becoming an issue.
- IFAD has filled the gap in policies, guidelines and procedures, but implementation remains an issue.
- IFAD's in-house skills, teams and team leadership are short of requirements needed for high-quality programmes, and lead to heavy reliance on consultants. Technical staff should normally make an input through field missions at the early stages of all IFAD operations. Workload among CPMs varies considerably, contributing to lower output efficiency.
- Proposed QE reform is moving in the right direction; there is a need to review the associated QA function as well.
- Accountability of regional directors for the substantive work of the regions and management of CPMs is not well-defined; outposting of CPMs makes this more important.

[90] At the state, provincial and district levels.

3 Oversight and support

88. This section sets out the principal findings of the CLE on the efficiency of IFAD's IFAD's O&S units, comprising the Office of the President and Vice-President (OPV), Corporate Services Support Group (CSSG), Office of Partnership and Resource Mobilization (PRM), Financial Operations Department (FOD) and Corporate Services Department (CSD), and including CSD's ICT function.[91] For this purpose, efficiency is defined as the relationship between the budgetary resources deployed for O&S units' activities and the work programme outputs and outcomes of these units relative to IFAD's needs.

89. The O&S units provide three categories of services to all departments of IFAD: policy formulation and related guidance, institutional direction and oversight, and monitoring of compliance; client support; and transaction services. There are five major cost drivers of these services: output volume, output quality, process intensity, use of IT and costs of staff time.

Principal findings (excluding ICT)[92]

90. **Management has undertaken a number of initiatives in recent years to reduce costs, contain unit budgets, and improve the effectiveness of O&S units.** However, it is too early to assess these measures from an efficiency perspective. Under IFAD's Eighth Replenishment (2010-2012), Management's main instrument for improving efficiency was the CRA. More recently, Management has also made a number of key commitments to improve cost and process efficiency over the Ninth Replenishment period. Measures implemented for O&S units in connection with the CRA include the following:
    (i) Real budget growth for support activities (Clusters 3 and 4) has continued to be constrained to zero or near zero.
    (ii) In 2011, two new departments, FOD and CSD and the PRM Office were created, with distinct mandates to strengthen decision-making and oversight. This is intended to contribute to institutional efficiency, together with efforts to streamline selected business processes in key areas of responsibility in each department (e.g. consultants' management, travel, procurement, etc.).
    (iii) A new investment policy, introduced in 2011, is expected to strengthen management and oversight of portfolio performance and risks.
    (iv) External reviews of Controller's and Financial Services Division (CFS), Treasury Services Division (TRE), HRD, ICT Division (ICTD) and SEC's Member Relations and Protocol Services Unit were carried out in 2010 and 2011.
    (v) CFS is implementing a new financial management (FM) model, which comprises the introduction of a new Loans and Grants System (LGS); updated policies and procedures, including risk-based controls and disbursements; greater use of automated processes; and development of adequate financial skills among CFS staff.[93]

91. **In addition, the management of some O&S units is focusing on major cost drivers.** The following are examples of attention to cost drivers:
    (i) IFAD is seeking to lower the costs of support to members' governance activities through measures aimed at reducing the volume of SEC's work. SEC has also implemented Web-based dissemination of documents to the Executive Board. Management's recent proposals to the Board for reducing the costs of operation of governing bodies show a continued emphasis on increasing efficiency in this area.

[91] The outcomes of OPV, LEG and SEC work programmes are discussed in section 5, Organization, leadership and decision-making.

[92] The principal findings regarding the efficiency of the ICT function are set out in paras. 99-104.

[93] The principal features of the new business model also include consolidation in CFS of FM responsibilities relating to IFAD's operational activities (including disbursements, accounting, project audit, financial reporting and FM assessments of country financial and audit systems and related capacity-building); close coordination with CPMs and other PMD staff on FM work; and outposting of FM staff in country offices.

(ii) The new LGS being implemented by CFS has the potential to improve risk management and quality of loans and grants management activities.
(iii) Administrative Services Division (ADM) is reviewing opportunities for process streamlining (such as in headquarters procurement) and other measures, such as increased outsourcing and collaboration with other Rome-based agencies.[94]
(iv) HRD has streamlined recruitment processes and achieved efficiency improvements in recent months.[95]
(v) COM undertook an analysis in 2012 on stakeholder perceptions of IFAD that would provide benchmarks and input for developing a corporate communications strategy. One of the stated objectives of the project is more effective and efficient use of limited resources.

92. **Organizational changes between 2000 and 2012 aimed at enhancing effectiveness have led to a near doubling of IFAD's organizational units in the O&S functions** (see table 5). The large number of organizational units and managers heading them leads to an imbalance in managerial capacity and has an impact on output efficiency due to the managerial and overhead costs associated with each unit. Thus IFAD's organizational structure likely contributes to a disadvantage in efficiency relative to comparator institutions. The relatively high level of overhead costs at the unit level corresponds to a relatively small span of managerial oversight in IFAD's O&S units, as discussed below.

93. **Due to IFAD's small relative size, its organizational units are roughly half the size (in budget and staff), or smaller, compared with units in comparator institutions**[96] (see table 6). The smaller size of IFAD's organizational units creates a much smaller span of managerial oversight – with the exception of OPV – than in comparator institutions. OPV oversight, with 12 direct reports to the President, though possibly excessive according to good practice and management theory, is broadly in line with the practice at comparators; for example, IDB has 12 direct reports to its president, and the African Development Bank (AfDB), 18. The span of managerial oversight in the other O&S units averages under 11 P staff, roughly half that at comparator organizations.

94. **The increase in the number of O&S units has resulted in a managerial span of control half as wide for the O&S units as compared to PMD** (see table 7). According to an evaluation by the World Bank Independent Evaluation Group, a managerial span of control for all staff of 7-15 is a benchmark comparator of external organizations,

TABLE 5
Evolution of IFAD's organizational structure, 2000-2012[a]

Year	IFAD total units	PMD units	Oversight & support units
2000	19	7	12
2005	25	8	17
2008	25	8	17
2012	31	8	23
Percentage of increase during 2000-2012	63%	14%	92%

[a] The term "organizational unit" as used here includes department front offices, offices other than departments, and divisions and units, but not hosted entities. For completeness of data, "total units" and "oversight & support units" include IOE.

Source: IFAD Annual Reports, 2000, 2005, 2008 and Organization Chart, April 2012.

[94] Management's key commitments under the Ninth Replenishment include "Assess value-added of business processes, and the potential for adopting more cost-effective alternative delivery modalities, including through joint servicing initiatives with other Rome-based agencies."

[95] For example, the 2012 Q2 CPR (page 3) showed that the RMF indicator, "Average time to fill P vacancies (12-month rolling)," which measures process efficiency in HRD and PMD, as being 126 days, compared with the RMF baseline of 141 days and RMF target for 2012 of 100 days. In the same report (page 11), under CMR 5 (Better HR management), it was reported that HRD's average time to create long lists for recruitment had fallen to 14 days, compared with 18 days in 2011 Q2.

[96] The comparator institutions were selected as being representative of major IFIs and United Nation agencies, as IFAD is both.

TABLE 6

Budget and staff per organizational unit – IFAD and comparator institutions[a]

	IFAD Total[b]	AfDB	ADB	IDB	FAO	UNDP
Admin. budget (US$ million)	150	407	439	552	1 105	1 264
Number of staff (FTEs)	591	1 789	2 833	N.A.	3 069	3 217
Number of organizational units	31	58	61	38	83	33
Admin. budget per org. unit (US$ million)	4.8	7	7.2	14.5	13.3	38.3
Number of staff per organizational unit	19	31	46	N.A.	37	97

AfDB: African Development Bank; ADB: Asian Development Bank; IDB: Inter-American Development Bank; FAO: Food and Agriculture Organization of the United Nations; UNDP: United Nations Development Programme.

[a] Data for IFAD is for 2012, and for other organizations, 2010. Data for the World Bank is not reported as it does not disclose the number of organizational units below the departmental level.

[b] For completeness of data, IOE is included.

Source: Board budget papers of above institutions.

with substantially wider spans of control at the World Bank.[97] Against that benchmark, PMD shows slightly larger spans of control than the benchmark, in particular when the 66.4 locally recruited staff (2012) are included, bringing the PMD span of control to 32.

95. **IFAD's O&S units have a higher overall share of the administrative budget than in most comparator institutions.** The higher spending is partly due to IFAD's small size, but is also due to the relatively high costs of some divisions such as SEC, Communications and Administration, as well as minimum institutional and operating requirements for some O&S services and the organization's Rome location. The overall share of O&S units in IFAD's budget is closer to the comparator United Nation agencies (with the exception of FAO) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) than to the MDBs.[98] Table 8 summarizes our comparison of IFAD with four MDBs, four United Nations agencies and the Global Fund (see annex 8 for supporting data tables). It should be noted that comparisons of costs across different organizations, such as in table 9, are affected by a range of factors, including differences in their size, business model, business processes and organizational structure. For example, some of the variations between IFAD and larger comparator institutions such as the MDBs and FAO are attributable – although the impact is difficult to quantify – to economies of scale factors that place small organizations

TABLE 7

Comparison of IFAD's span of control in O&S units vs. PMD units

	O&S Total	CSSD	PRM	SKM	FOD	CSD	PMD
D-1, D-2, – Dep. head	18	4	4	3	3	4	8
P Staff (FTEs)	136	42	9	15	35	36	125
All staff, excl. D-1 – Staff (FTEs)	263	80	14	22	57	90	190
Span of control							
Staff/D-1+ratio	15	20	4	7	19	22	24
Professional/D-1+Ratio	8	10	2	5	12	9	16

Note: Excluding 66 locally recruited staff (2012) and short-term staff; the table also excludes OPV.

Source: IFAD's 2013 results-based POW and regular and capital budget EB 2012/107/R.2/Rev.1, annex VIII, p. 41.

[97] IEG – World Bank: *The Matrix System at Work. An Evaluation of the World Bank's Organizational Effectiveness*, April 2012, page XXIV.

[98] Out of the O&S units' 40.4 per cent share of IFAD's budget, as shown in the table, 5.9 per cent is allocated to Cluster 1. Together with PMD's budget share of 56.8 per cent, the 5.9 per cent share of O&S budgets makes up the Cluster 1 total budget share of 62.7 per cent. SKM (not shown in the table) accounts for 2.8 per cent of IFAD's budget.

TABLE 8

Comparison of O&S units' shares of total budget (%) – IFAD and comparator institutions

	IFAD	AfDB	ADB	IDB	WB	FAO	UNDP	UNICEF	WFP	GF
OPV	2.4	1.3	1.6	0.9	0.5	0.8	1.2	2.0	1.7	1.6
CSSG	12.8	6.7	7.1	6.7	4.1	8.4	6.1	9.0	13.6	13.4
Total OPV & CSSG	15.2	8.0	8.7	7.6	4.6	9.2	7.3	11.0	15.3	15.0
PRM	2.1	1.5	1.0	2.1	0.8	1.1	[a]	[a]	5.0[a]	[a]
FOD	6.0[b]	8.4	9.1	7.7	6.3	3.0			7.6	3.4
CSD	17.1	11.3	9.2	11.6	10.8	14.1			20.4	20.1
Total FOD & CSD	23.1	19.7	18.3	19.3	17.1	17.1	29.1	26.6	28.0	23.5
Total O&S	40.4	29.2	28.0	29.0	22.5	27.4	36.4	37.6	48.3	38.5

AfDB: African Development Bank; ADB: Asian Development Bank; IDB: Inter-American Development Bank; World Bank; FAO: Food and Agriculture Organization of the United Nations; UNDP: United Nations Development Programme; UNICEF: United Nations Children's Fund; WFP: World Food Programme; GF: The Global Fund to Fight AIDS, Tuberculosis and Malaria.

[a] In these institutions, the functions of external relations, partnerships and resource mobilization are combined. The budget share of these combined functions is included in the percentage shown against CSSG, for comparability with COM. For WFP, the budget share of its government donor relations division is shown.

[b] FOD budget excludes the budget for PMD's FM staff and consultants who were transferred to CFS, effective 1 January 2012. Information provided by FOD's Budget Unit indicated that the transfer of these staff and consultants led to a budget transfer of US$1.5 million from PMD to CFS.

Source: Board budget papers of above institutions.

such as IFAD at a disadvantage with regard to the costs of O&S functions. These functions need to have a minimum size and service standards (though not necessarily performed by a separate organizational unit) to be effective. The strategic issues of budget allocations for O&S units are discussed below.

96. **Strategic issues of the appropriate level of spending on priority areas and trade-offs between efficiencies at the output (costs) and outcome (effectiveness) levels emerge from the above comparison of units' budget shares between IFAD and comparator institutions:**

(i) OPV and CSSG's shares (2.4 and 12.8 per cent, respectively) in IFAD's administrative budget are higher than those in most comparator institutions, due to the relatively high spending for the SEC and the Communications Division (COM). The current high spending on SEC and COM activities raises the strategic issue of outcome efficiency with respect to stakeholder relations and communications for an institution of IFAD's relatively small size. A significant proportion of SEC costs are accounted for by language services. According to data provided by SEC, language services costs in 2011 totaled US$3.8 million (47 per cent of SEC's 2011 budget of US$8.1 million). We noted that SEC largely uses its own staff for language services rather than outsourcing some of this work, but it has started a pilot programme for increased use of external translation services. However, it is not clear that the high costs of mandatory translation are adding value by strengthening the oversight function of the EB. The activities of SEC and COM are significant for IFAD's governance and its stakeholder relations and communications. In this context, the cost of support to the governing bodies is receiving the attention of the Executive Board and Management.[99] Management has recently submitted proposals to the EB for efficiency improvements in Cluster 4 by reducing Cluster 4 costs by 25 per cent and staffing by 27.8 per cent, during 2013-2015.[100] Accordingly, Management's 2013 budget proposal by cluster in the POW paper includes a reduction in the Cluster 4 budget from 2012, which is stated as being due to efficiencies identified in

[99] The paper "Report of the Consultation on the Ninth Replenishment of IFAD's Resources'"(GC 35/L.4, dated January 25, 2012) included the following among key commitments: "Liaise with the Executive Board to explore opportunities to reduce costs associated with the operations of IFAD's governing bodies." An earlier paper (Managing for efficiency in IFAD: Progress under IFAD8 and proposals for IFAD9 (REPL.IX/3/R.2, September 29, 2011) also stated that the EB "has expressed interest in reducing these costs to focus more of IFAD's resources on its development operations."

[100] Support to IFAD's Governance: Measures and Implementation Plan for Achieving Greater Efficiency, EB 2012/107/R.4, 20 November 2012.

SEC and OPV.[101] With regard to COM, the corporate communications strategy, when finalized, ought to provide the basis for assessing the output efficiency of spending on the Division's activities in light of the expected and actual outcomes.[102] The July 2012 EMC retreat included discussion of the following proposed action: "Produce a prioritized and sustainable communications strategy and work plan with: clear objectives linked to policy and KM agenda; principal means; measures of success; and activity plan."[103]

(ii) A reconfigured PRM has been established which aims to help IFAD to foster a more systematic approach to partnership and resource mobilization. PRM, which is headed by a Director who is also Senior Adviser to the President, is expected to pursue partnerships and resource mobilization, not only with Member States but also with the private sector and philanthropic foundations. PRM also aims to help IFAD leverage impact through non-lending activities such as policy engagement, knowledge sharing, capacity strengthening and partnership development. PRM's budget share (2 per cent) is higher than in most comparator institutions. As this unit is new, the strategic issue for Management's consideration will be the need for a separate unit and its costs relative to the outcomes produced. As noted above, UNDP, UNICEF and the Global Fund have a single unit with the combined functions of External Relations, Partnerships and Resource Mobilization. Discussion at the July 2012 EMC retreat included proposed actions to prioritize resource mobilization in partnership development and ensure coordination with operational strategy.

(iii) FOD's share (6 per cent)[104] of IFAD's administrative budget is somewhat lower than in most comparator institutions. As FOD performs a range of critical fiduciary functions for the institution, this raises an issue of trade-offs between efficiencies at the output and outcome levels. Within the aggregate FOD budget, the budgets of TRE and the corporate budget function[105] appear to be particularly low compared with similar units in comparator institutions, with the caveat that unlike in the MDBs, TRE does not perform borrowings activities. While the budget share of CFS, including the budget for the FM staff transferred in 2012 from PMD, is within the range of shares in other comparable institutions (see annex 8, table 2), its staff complement of 50 FTEs (29 P and 21 GS staff)[106] makes it one of the largest divisions in IFAD. Of the total FTEs in CFS, the Loans and Grants Unit has a staff of 31 FTEs (20 P and 11 GS staff). This underlines the importance of ensuring realization of output efficiency gains from the implementation of the LGS and the ongoing rationalization of responsibilities for processing withdrawal applications with PMD and country offices. However, as noted in paragraph 100, IFAD currently does not manage well the generation of process improvements and cost savings from its ICT investments. At the July 2012 EMC retreat, the following proposed action was discussed: "Produce plan for reduction of resources required for loans and grants administration, leveraging ICT and process revision with stratified risk management approach."

(iv) CSD's budget share (17 per cent) is much higher than in most comparator institutions. This is primarily due to ADM's share of 6.4 per cent (rising to 7.9 per cent if the security function is included, as in other organizations). Although the Human Resources Division's (HRD) and ICTD's budget shares are also higher than those of comparators, the variation may be partly attributed to economies of scale and lack of outsourcing. However, IFAD's ICT spending per employee is much lower than in the comparator institutions surveyed by Gartner.

97. **Output efficiency is adversely impacted by processes with tight ex ante controls, high staff costs and insufficient managerial accountability for efficiency improvement.**

(i) **Processes:** There is considerable scope for streamlining some major ADM processes. For example, the available process map for travel shows a total of 43 steps beginning from the traveler initiating the process until the reimbursement of travel expenses

[101] 2013 Programme of Work and Budget, EB 2012/107/R.2, 20 November 2012.

[102] Finalization of the strategy is pending the completion of the baseline research project on stakeholder perceptions of IFAD and ongoing consultations between COM, PMD and SKM.

[103] PowerPoint presentation by Strategic Planning Division, SKM: Preparation of the MTP 2013-15.

[104] This figure represents FOD's share in the 2012 budget and therefore does not reflect the transfer of the Budget Unit to OPV in December 2012.

[105] The Budget Unit was transferred to OPV in December 2012.

[106] Source of number of staff FTEs: CFS 2012 Strategic Plan.

exceeding the travel advance.[107] The proposed new procurement process map depicts a process with up to 20 steps to initiate a purchase order for procurements valued at between €10,000 and €50,000. The process for joint tender with other Rome-based United Nation agencies comprises 26 steps to issue a purchase order. Discussion at the July 2012 EMC retreat included the importance of streamlining cumbersome processes and the actions that could be taken to achieve this objective.[108]

(ii) **High average costs of staff:** CSSG, FOD and CSD together have 45 per cent of their P-level staff in grades P-5 and P-4, and 60 per cent of GS staff in grades G-6 and G-5; however, the ratios have improved somewhat from 2011, when they were projected to be 47 per cent and 65 per cent, respectively.[109] The factors causing IFAD's high average staff costs are discussed in the section on Managing Results, Budget and People.

(iii) **Managers' accountability***:* The Medium-term Plan (MTP) for 2011-2013[110] did not include a full set of output and outcome efficiency indicators for all O&S units (annex 8). Still, a number of the indicators set out in the MTP are appropriate for inclusion and monitoring through the quarterly corporate performance reviews. However, the quarterly reviews mostly focus on output efficiency indicators that are institutional in nature and largely related to staff. Outcome indicators and unit-focused indicators of output efficiency are lacking in the quarterly reports. More broadly, while the quarterly reports contain much detailed information, they are not designed to provide the basis for management to assess departmental and divisional performance or take corrective measures as needed. The divisional management plans do not fill this gap as they do not include specific performance indicators for line manager accountability. Thus IFAD does not have a performance management framework whereby the MTP indicators are cascaded down and monitored through departmental and divisional performance agreements. Consequently, there is no evidence that O&S line managers are held accountable for continuously improving outcome or output efficiency against specific targets. In this regard, a positive step is the requirement for each organizational unit to prepare a divisional efficiency plan in 2013 focusing on business process improvements, as stated in the December 2012 update paper on CRA implementation.[111] The 2013-2015 MTP is under preparation, which hopefully will address some of the above concerns.

98. **Efficiency gains from management's initiatives could be compromised without a strategic approach.** The efficiency improvement actions taken so far are commendable and have yielded some efficiency gains, as noted in the 2011 POW paper and the December 2011[112] and December 2012 update papers on CRA implementation. But the actions taken are not guided by an overall corporate strategy that sets work programme priorities for support units, links work programmes to expected and achieved results, emphasizes process simplification and automation and reduction of staff costs and sets efficiency improvement targets – as part of performance management – at the departmental level.[113] Moreover, for O&S units, efficiency drivers at the outcome level are complex and relate primarily to the effectiveness of the units in prioritizing their work programmes and delivering the appropriate quality of services to meet IFAD's needs. Without an overall strategy, a trajectory of flat or declining real budgets for support units can expose IFAD to the risks posed by the past underinvestment in critical areas such as ICT and erosion in quality and service standards. These risks are accentuated by the prospect of zero budget growth over the medium-term. Annex 8 provides details of the factors, such as process changes, setting of service standards, monitoring of actual performance and trade-offs between efficiencies at output and outcome levels that are important for sustaining efficiency gains achieved so far or expected over the next two to three years.

[107] The July 2012 EMC retreat discussed proposed actions to streamline travel-related processes, focusing on reducing user time for inputs and delays, and increasing flexibility within agreed risk parameters.

[108] The suggestions tabled for discussion at the retreat included: approach based on risk assessment and materiality/incidence to process review and streamlining; review of IFAD's internal control framework with the aim of shifting from universal ex ante controls to selective ex post controls; shift to electronic document flow; and introduction of electronic signatures.

[109] Sources of data: annex VII of 2012 POW paper and annex VIII of 2011 POW paper.

[110] IFAD MTP 2011-2013 (paragraph 99), EB 2011/102/R.32, 9 May 2011.

[111] Update on Change and Reform Implementation, EB 2012/107/R.41, 10 December 2012.

[112] Update on Change and Reform Implementation, EB 2011/104/R.52, 9 December 2011.

[113] As noted in section 4, subsection on Managing Results and Budget, budget allocations are decided before the divisional management plans are prepared each year. Thus, there is no iterative process to align budgets and work programmes.

Principal findings – ICT

99. **The ICT function in IFAD has important strengths.** Management's commitment to improve ICT services is evidenced by the following:
    (i) A vision for ICT services covering the period from 2011 to 2015 has been developed to enhance its core capabilities to support IFAD with better access to infrastructure, online communication and collaboration tools that will allow inexpensive interaction between users at all locations, enhance current business applications and provide enterprise information through data warehouses and business intelligence tools;
    (ii) Many staff in ICTD have long tenure and a comprehensive understanding of IFAD's operations;
    (iii) The implementation of Oracle's PeopleSoft Financials and HR modules (currently known as Oracle's PeopleSoft applications) illustrates a willingness to modify existing business processes and adopt best practices;
    (iv) Efforts to standardize platforms and applications currently in use include SharePoint for collaboration; Liferay for content management; and Oracle's products for ERP, DBMS and Business Intelligence;
    (v) Several infrastructure components, such as network services, e-mail and PeopleSoft hosting, have been outsourced to UNICC in Geneva;
    (vi) In 2011, a substantial capital budget of US$12 million was approved for the LGS upgrade project to be implemented by April 2013;
    (vii) The CLE survey showed that 63 per cent of GS staff is satisfied with ICT services.
    (viii) A key objective for CSD discussed at the July 2012 EMC retreat was to ensure the adequacy and sustainability of ICT services to core corporate functions. In this regard, the proposed action was stated as follows: "Develop and agree corporate IT strategy and action plan with transparent costing (with OMC and EMC)."

100. **Current ICT services are inadequate for leveraging IFAD's staff resources for several reasons.** First, over the years ICTD has developed and implemented several information systems (such as the Project and Portfolio Management System [PPMS], LGS and PeopleSoft) that use different technologies and data systems. Integration between these systems, and even within various PeopleSoft modules (HR, budget, finance, vendor and travel) is lacking; the same data thus has to be entered multiple times. Second, mission-critical systems such as PPMS and LGS are still supported by outdated technologies such as PowerBuilder and Sybase, for which few support options are currently available. Third, IFAD has not taken adequate advantage of best practices embedded in commercial off-the-shelf products such as Oracle's PeopleSoft suite to simplify its business processes. Fourth, due to the lack of a help desk and user training, ICTD senior technical staff responsible for planning and managing systems are also handling a large number of routine service requests that should be handled by junior ICT staff or – with proper training – by users themselves. Fifth, enterprise data reporting needs are currently met by production of reports from data extracts and point-to-point interfaces across systems to bridge multiple data formats; manual data collection is required when information is not available through these means. Sixth, with data stored in many places (corporate business systems, file servers, SharePoint, personal computers, etc.), the ICT support for KM is suboptimal.

101. **IFAD's past spending on ICT services was very low relative to comparators, and approved capital projects are not supported by budgets for O&M.** According to a study of nine development banks by Gartner in 2011, the average annual IT budget per employee (staff and consultants) was €18,000 and IT staff made up on average 5 per cent of all employees. In contrast, IFAD's IT budget is €5,600 per employee, and ICTD make up 3 per cent of total IFAD employees. This significant under-spending is compounded by the lack of budgets for O&M costs to support approved capital investments for projects such as the LGS upgrade and PeopleSoft. Typically, IT capital projects require around 18 to 25 per cent of the budget to provide for O&M costs. These two factors have a major impact on the capacity of ICTD staff to provide services, thus adversely impacting efficiency. The 2013 POW paper includes a proposal to increase the ICT budget over 2012.

102. **Inefficiencies in ICT services reflect inadequate performance management for ICT investments and insufficient outsourcing.** IFAD does not quantitatively define, measure and report on how well its ICT investments are achieving targeted productivity gains, in either process improvement or cost savings. There are also no service-level agreements between ICTD and user departments that would set service standards and help to create accountability for productivity gains. IFAD has currently outsourced infrastructure areas to UNICC, as mentioned earlier. But IFAD has significant further outsourcing opportunities in the areas of software development, testing,

maintenance, help desk and training. Currently, 87 per cent of IFAD's IT workforce is internal staff, compared with 20 to 40 per cent internal staff in one-third of the development banks covered in the 2011 Gartner study, and 60 to 80 per cent in the other banks.

103. **ICT governance is inadequate.** ICT governance is currently divided between the IT Governance Committee and OMC, resulting in inefficiencies in coordination and decision-making. In addition, large-scale ICT investments related to business systems are not managed by functional owners and lack a dedicated governance mechanism to manage scope and configuration changes.

104. **ICTD lacks the necessary skill sets and enterprise architecture to support business transformation in IFAD.** The CLE analysis of the current skill sets of ICTD staff indicated that they are organized to support ICT operations rather than to promote better services to and alignment with the business. This is inefficient because the key roles of planning and supporting business process automation, enterprise architecture, investment management, enterprise analytics, information assurance and technology advancement are missing. The lack of an enterprise architecture connecting business processes with information strategy, systems and infrastructure through common policies and standards is responsible for the current complex ICT environment and delays in making the necessary modifications to support the changes in business needs.

Key points

- Management has taken several actions in recent years to improve efficiency, including constraining the budgets of O&S units, but without articulating an overall strategy for addressing the underlying cost drivers, the trade-offs between cost efficiency and outcomes, and potential for outsourcing.
- IFAD is spending more of its administrative budget on its O&S units than do most of its comparator institutions. The higher spending is partly due to the scale effects of IFAD's small size and the relatively high costs of SEC, COM and ADM, as well as its Rome location. The institutional and operating requirements of some O&S services and the large number of O&S units are also contributing factors.
- Output efficiency is adversely impacted by a number of factors: cumbersome corporate business processes with rather tight ex ante controls, such as procurement and travel, and insufficient managerial accountability for efficiency improvement.
- Without proper attention to the underlying cost drivers and recognition of budget adequacy for mission-critical activities such as ICT, the current approach of constraining O&S units' budgets could erode quality and service standards and could lead to shifting some O&S service delivery to front line units.
- Unlike its comparator institutions, IFAD has not made much progress in using ICT to leverage staff capabilities. The lack of a clearly established ICT strategy has resulted in a stop-and-go approach; past underinvestment in ICT; and inadequate governance, skill sets, planning for operations, maintenance and upgrading.
- IFAD's efficiency is hampered by inadequate ICT services, including the lack of integrated and interoperable systems, information standards, enterprise information visibility and efficient search-and-analysis functions.

UNITED REPUBLIC OF TANZANIA

IFAD-funded project beneficiary feeds livestock on her family farm in Shiri Njoro Village, Hai, Kilimanjaro.

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4 Managing results, budget and people

105. This section presents the CLE findings on the efficiency of IFAD's management of results, budget and people. These functions are cross-cutting, in that IFAD's efficiency in managing its budgetary resources and people has a major impact on its efficiency in programmes, programme management and O&S functions, as well as in governance, decision-making and accountability. In addition, since staff and consultant costs constitute 80 per cent of IFAD's administrative budget, budget management efficiency and people management efficiency are closely interrelated.

Principal findings – managing results and budget

106. This subsection sets out the principal findings of the CLE on the efficiency of IFAD's institutional management of its results and budgetary resources. Efficiency is addressed – at the outcome level – from two perspectives:
   (i) Whether IFAD's results management process enables it to set strategies and priorities and design work programmes that are expected to produce the best results; and
   (ii) Whether IFAD is able to effectively determine and allocate the budgets needed to execute its work programmes and to monitor their use.

107. Experience in comparator organizations indicates the following requirements for efficiency in the management of results and budget:
   (i) Management's decision-making on strategies and priorities focuses on clearly defined, expected results. Actual results are measured and reported systematically and fed back into decision-making.
   (ii) Work programmes are developed on the basis of selectivity and priorities in line with strategies, corporate priorities and expected and actual results. Budgets are transparently based on such work programmes and related trade-offs so that adequate funding is provided for execution of the work programmes.
   (iii) Clear accountability, effective incentives and robust information systems are in place to empower managers to make optimal use of budgets to execute work programmes and to hold managers accountable for the efficient use of the resources entrusted to them.

108. **IFAD has put in place a comprehensive corporate RMF, and each country strategy has its specific results framework.** In response to the findings of the IEE undertaken in 2005, IFAD has created a comprehensive framework for managing results that includes a RMF, Strategic Frameworks and other tools. This has led to greater attention to measuring and reporting on results. The RMF is now aligned with each replenishment cycle. Since the introduction of results-based COSOPs at end-2006, each country strategy document has its own results framework, with provisions for annual reviews, a midterm review and a COSOP completion review. Projects are required to have a logical framework, with clear and measurable indicators, ensuring that the RIMS indicators are also adequately covered. Client surveys at the country level are undertaken periodically to collect client perspectives on the performance of IFAD across numerous indicators.

109. **Regular reporting on performance to the Board and Management, supported by data collection at the project level, is in place.** Each year at the December Board, IFAD Management reports (through the Report on IFAD's Development Effectiveness [RIDE]) on performance against the main indicators covered by the corporate RMF, agreed with Member States. Quarterly performance reviews are held internally during the year as a means to track progress and make mid-course adjustments, as and where needed. Over time, efforts have been made to strengthen the self-evaluation system. For example, PSRs are prepared once a year during implementation, providing a summary of project performance. The RIMS surveys, though variable in quality, generate a fair amount of data that is used for reporting project performance. DSIS since 2007

has supported the results agenda by ensuring greater focus on collection of data in key areas of concern to IFAD.

110. **Efficiency of results measurement is constrained by a number of factors, including difficulties in aggregation of results and questions about the reliability of reporting in some areas.** However, there are several constraining factors that limit efficiency and performance of IFAD's results measurement in general. Overall, the results measurement system is overly complex. Many indicators and different layers in the system are not fully aligned, which makes aggregation of results difficult and casts doubts about the reliability of reporting on performance in some areas. One example found by the CLE on gender in 2010 was that different indicators on gender are tracked in COSOPs, RIMS, PSRs and PCRs (e.g. gender equity, women's empowerment, gender equality) and they cannot be aggregated due to the different underlying development concepts they represent in the area of gender.

111. **Results evaluation is hampered by inadequacy of baseline surveys, complexity of project monitoring and evaluation (M&E) systems and cost to project authorities of IFAD's reporting requirements.** Baseline surveys are needed for any results evaluation, but are not always conducted in a timely manner, and in several projects, not done at all, often because the funding comes from the project funds and is not available until after the project is approved. Project M&E systems are often overdesigned, especially in light of local capacities, and reporting on outcomes and impact levels of the results chain remains weak because of this. The quality of PCRs varies, and the RIMS indicators are often not properly or fully reflected in project level M&E systems. IFAD's RIMS reporting requirements often pose an extra burden on project authorities as they are required to track and report results to a single donor (IFAD), increasing their transaction costs, in contravention of the Paris Declaration on aid harmonization to build and align with country systems.

112. **Measuring and reporting on overall achievements of country programmes has not yet received adequate attention.** With regard to COSOPs, annual reviews are not being performed across the board, and COSOP midterm reviews are often done late and can be of low quality, as confirmed by the recent Indonesia CPE (2012). Moreover, COSOP completion reviews have not yet been introduced as required by the guidelines for results-based COSOPs approved by the Board in September 2006. Such reviews would give Management and Board an overview of the achievements of country programmes (beyond individual projects) at the end of each COSOP period. In fact, measuring and reporting on overall achievements of IFAD activities, in particular country programmes, including the extent to which policy dialogue, KM, partnership-building and grants are having a synergistic impact aimed at supporting scaling up, have not received the necessary attention. On this topic, once COSOP completion reviews are introduced, IOE could embark on their validations (as for PCRs). This would further align IFAD's overall evaluation system with the MDBs and increase the robustness of results reported both by Management and IOE.

113. **IFAD's corporate and country-level results frameworks and MTPs could be used more effectively to guide decisions on strategic selectivity in work programmes.** The following salient findings reported in section 2, Programmes and Programme Management, demonstrate this point:
   (i) The current PBAS formula would benefit from explicit recognition of the leverage IFAD has achieved in different countries through cost-sharing by clients and/or cofinancing by other partners.
   (ii) Insufficient country selectivity is leading to very small PBAS allocations to many countries, contributing to low institutional efficiency.
   (iii) Inadequate thematic focus in IFAD-supported programmes is undermining operational excellence and hurting efficiency. The strategic frameworks need to do a better job in guiding such priorities.
   (iv) Weak linkages of non-lending activities to IFAD's RMF have tended to accentuate the lack of incentives and accountabilities for these activities.
   (v) As the missing baselines of IFAD's projects and programmes to date demonstrate, the majority of them are not developed from the side of impact and outcome statements as determinants of the programme elements and project components, but rather show an ex post retrofitting of outcome targets without available baselines.

114. **Direction from IFAD's GC clearly points to the need for IFAD to ramp up its results management by making more effective use of existing tools.** The following resolution was approved by the GC in February 2012: "During the replenishment period, the Results

Measurement Framework set forth in annex II to the Ninth Replenishment report shall constitute a systematic approach to management, monitoring and measurement to ensure that the intended results have the greatest likelihood of being achieved."[114] In light of the GC direction on effective results management, IFAD will need to make substantial progress in this regard over the next three years.

115. **IFAD is making progress in instilling a stronger budget management culture, probably for the first time.** More attention is being devoted to budget formulation, monitoring, execution, and reporting. The 2013 budget formulation, which was carried out after the completion of the CLE review, required business units to decide on trade-offs within a flat nominal budget. This exercise led to budget reallocations of US$9.4 million (6.5 per cent of IFAD's total budget) across departments, which were primarily aimed at strengthening ICT, PRM and SKM.[115] The 2013 budget has also enhanced transparency in the funding of recurrent costs (e.g. several staff positions and some ICT costs) through the annual budget instead of the previous practice of using a part of the management fee from supplementary funds). For several years, resources have also been increasingly shifted towards Cluster 1 (country programme management, project design (loans and grants), and supervision and implementation support), which is the core area of IFAD's work for achieving impact on rural poverty. Some additional resources are also being provided to Cluster 2 (high level policy dialogue, resource mobilization and strategic communication), which is also critical for meeting the commitments in the Ninth Replenishment period. However, the efficient use of these additional resources depends upon further enhancing efficiency in PMD and the responsible O&S units.

116. **IFAD's results-based budgeting (RBB) practice could be improved to provide stronger links between budgets and work programmes that are developed with guidance on strategic selectivity provided by its results frameworks and MTPs.** In IFAD, budgets are allocated to four business areas (clusters)[116] to attain a set of outcomes and intermediate corporate management results. This allocation practice enables IFAD to set priorities for the deployment of its budgetary resources to operational and non-operational activities. However, RBB entails using expected results to justify budget requirements, which are derived from – and linked to – outputs that will achieve such results. As discussed above, IFAD's corporate and country strategy results frameworks and MTPs could be used more effectively to guide decisions on strategic selectivity in IFAD's operational work programmes, thereby strengthening and making more transparent their linkage with expected and actual results. In addition, IFAD's RBB would be strengthened by the use of output-level performance indicators (volume, quality and unit costs) of work programme execution that would provide the specific basis for decision-making on budget allocations to operational units, to fund results-based work programmes. And because non-operational work programmes are mainly driven by the demands of operational work, these changes would help IFAD to better connect its overall budget allocations to departments with results. Admittedly, IFAD is not unique in facing challenges in implementing RBB. A survey of RBB practices in United Nations agencies and other organizations, carried out jointly in 2010 by UNDP, UNFPA and UNICEF, found that RBB appeared to be a work in progress for most organizations, as it continued to be for these three agencies. Nevertheless, the agencies proposed to move forward with "linking all cost categories with their results and indicators of performance," with the objective of "providing the Executive Board with an overview of the relationship between results and resources at the corporate level."[117]

117. **Due to the current state of RBB, the effort to link 2011 budgets with work programmes did not achieve its purpose.** IFAD introduced zero-based budgeting (ZBB) to better align its 2011 budget with work programmes. ZBB, in its various forms, is essentially a technique that line managers use to assess the strength of the relationship between an organization's corporate priorities, work programmes and budget requirements. Our review of IFAD's ZBB exercise in PMD showed that the divisions did not justify their total budget requirements on the basis of expected results and planned outputs, but instead focused on justifying their incremental

[114] Resolutions adopted by the Governing Council at its thirty-fifth session, GC 35/Resolutions, 23 February 2012.

[115] IFAD's 2013 Results-Based Programme of Work and Budget, GC 36/L.8/Rev.1, 4 February 2013.

[116] The four clusters are country programme development and implementation; high-level policy dialogue, resource mobilization and strategic communication; corporate management, reform and administration; and support to members' governance activities. The first two clusters are classified as operational and the other two as institutional.

[117] *Road map to an integrated budget: cost classification and results-based budgeting* – Joint report of UNDP, UNFPA and UNICEF, 19 July 2010.

budget needs for 2011 over 2010. This situation did not change with the 2012 budget process. The 2013 POW paper noted that as part of the budget process "Departments provided a prioritized list of activities over and above the baseline that they would like to undertake if additional funding were made available." This is a step in the right direction for more transparent linking of budgets with work programme priorities.

118. **The result of the ZBB exercise was partly due to the absence of critical budget management information systems such as time recording and cost accounting, impeding managers' awareness and ability to manage the costs of work programmes.** The use of time recording and cost accounting systems is essential for reliably capturing the full costs of all major business activities performed by staff. We noted that Management's key commitments under the Ninth Replenishment include the introduction of a time recording system.[118] Line managers' ability to manage costs is further hampered by the use of standard rather than actual staff costs for budget planning and expense reporting, as actual staff costs in 2011 constitute 56 per cent of total costs. In 2011, this practice resulted in a budget underutilization of US$5.5 million, or about 4 per cent of IFAD's total budget; however, this information was not available to departments until nearly the end of the year. [119]

119. **Budget allocations are not based on priorities and trade-offs across and within work programmes, determined with a medium-term perspective.** We noted the following aspects of IFAD's annual budget formulation process that contribute to this situation:
   (i) The MTP for 2010-2012 (a new MTP for 2003-2015 has since been prepared) was intended to facilitate Management's decision-making on how IFAD uses its financial and HR to achieve its strategic objectives and planned outputs. However, the MTP does not provide any thematic or sectorial planning guidance, nor does it prioritize among strategic objectives or outcomes; it thus does not provide the medium-term business plan scenario and budget trajectory essential for the annual budget preparation. In the absence of a medium-term budget framework, budget planning is done with a one-year horizon, which is suboptimal for RBB in a development organization.
   (ii) The EMC is currently not playing a sufficient role in providing strategic guidance in the preparation of the annual budget, though there have been improvements in the preparation of the 2013 POW. Generally, guidance from the EMC on annual budget preparation is limited to the narrow parameter of the percentage real budget growth that Senior Management is prepared to propose to the Executive Board. the Executive Board. The absence of strategic guidance in a number of areas results in inadequate directions on corporate priorities for departments and divisions in their work programme and budget planning. Examples of areas requiring guidance include: selectivity and alignment of work programmes with the strategic frameworks and responsiveness to changes in the business environment; key messages arising from quarterly corporate performance reviews and independent evaluations; progress in implementation of the CRA; and goals and opportunities for efficiency improvement. For preparing the 2013-15 MTP, IFAD has adopted the following approach: "IFAD, as a whole, should maintain a flat administrative budget, with departments/divisions assuming 92.5 per cent of 2012 budget available in first iteration plans, followed by reallocation of 7.5 per cent holdback."[120] As noted earlier, the 2013 POW indicates improvements in the strategic allocation of resources, which included specifically the proposed increases in the budgets of ICTD, SKM and PRM, and reductions in the budgets of SEC and COM.

120. **Accountability for budget management is weakened by the absence of an iterative process of aligning work programmes and budgets during budget formulation and recent changes in the rules of decentralized budget management.**
   (i) From our review of the 2011 and 2012 budget preparation, it was not clear to what extent Senior Management considered the budget requirements submitted by the departments and divisions in making decisions on

[118] Report of the Consultation on the Ninth Replenishment of IFAD's Resources, GC 35/L.4, 25 January 2012.

[119] The Flash Report on bilateral consultations to refine the departmental and divisional MTPs, submitted to the July 2012 EMC retreat, noted as follows: "PMD expressed the need for FOD to provide better budget reporting to allow for more effective use of budget allocations by PMD directors. Specifically, reporting of divisional/departmental expenditures and budget availability needs to be improved to provide accurate information on a real-time basis. Experience continues to show that budget reporting understates budget availability and prevents divisions/departments from fully utilizing resources available to them in a given year. Among other things, suggestions for improvement include: more frequent update of budgets to take account of foreign exchange fluctuations and real-time reflection of variances between actuals and standard costs for staff expenditures."

[120] PowerPoint presentation by Strategic Planning Division: Preparation of the MTP 2013-15.

IFAD's total budget and its allocation to departments. Once the budget allocations are decided by Senior Management and the EB approves the proposed IFAD budget, divisions adjust their work programmes and prepare their Divisional Management Plans (DMP) to fit within their budget allocations. This budget process results in inadequate accountability and incentives for departments and divisions to manage budgets efficiently, as decisions on their budget envelopes appear to be disconnected from the units' own estimates of the funding needs of their work programmes. As noted earlier, the 2013 POW indicates progress in more transparent linking of budgets with work programme priorities.

(ii) Devolution of budget management to departmental and divisional levels is an integral element and vital enabler of RBB. This was explicitly recognized in the 2006 report to the GC on the implementation of the Process Re-engineering Programme:[121] "Decentralized budget management moved the organization forward towards linking managers' spending decisions to the organization's strategic priorities." The rules of devolved budget management were not adequately defined in the 2008 President's Bulletin, "Revised Framework and Procedures for Decentralized Budget Management."[122] The long delays in filling vacant positions and managers' use of budgets for these positions to hire consultants for extended periods led to the recent changes involving formal, centralized position control and limited flexibility for managers to use vacancy budgets for non-staff costs.[123] In the above circumstances, the rationale for the changes is understandable, at least for a period of transition. However, if the restrictions are kept in place beyond a relatively short period, they have the potential to adversely affect line managers' accountability and incentives to manage budgets efficiently, and could also lead to significant transaction costs of position control. Accountability and incentives for efficient budget management are also lessened by the practice of centralized decision-making on allocations of carryovers and fees earned on management of supplementary funds. A better approach would be to allow departments that generate carryovers or manage supplementary funds to receive standard shares of these funds, with the rest being allocated centrally by the institution.

121. **The absence of an integrated review of work programme delivery and budget utilization, timely reporting to the Executive Board on such reviews and meaningful key performance indicators lead to important gaps in IFAD's budget management efficiency.** In this regard, the following significant issues came to our attention:

(i) The quarterly CPRs are well-focused on issues of work programme execution and deliverables. However, the apparent lack of integration between the CPR for the second quarter of 2011 and the 2011 midyear budget review contributed to a disconnect between the three closely related dimensions of managers' accountability – work programme execution, use of budgetary resources and HR management.

(ii) Management's key commitments in the Ninth Replenishment included the development of efficiency indicators.[124] This provides a promising starting point to develop and implement a framework for managing administrative efficiency (see earlier discussion of managers' accountability in section 3, Oversight and Support). In this regard, it is particularly important that quantitative measures of efficiency be used in combination with qualitative measures. Otherwise, with the prospect of zero budget growth in the medium term, managers risk making efforts to reduce costs and improve output efficiency without full consideration of the implications for outcome efficiency. The evaluation findings regarding indicators are further discussed in paragraphs 178-185.

(iii) The absence of a practice of submitting retrospective work programme and budget reviews to the Board weakens Senior Management accountability and Board oversight of performance. On the other hand, the separate Preview and POW papers submitted to the Board within the space of a few months are partly duplicative and costly to prepare.Starting in 2011, Management has made a concerted effort to undertake detailed midyear budget reviews and track

[121] Process Re-engineering Programme, Report on the Implementation of Phase I, GC 29/L.10, 25 January 2006.

[122] President's Bulletin, PB/2008/07, 23 April 2008.

[123] President's Bulletin, PB/2012/03, 9 March 2012, Procedure for decentralized budget management of salary funds from vacant fixed-term staff positions.

[124] The following paper included interim proposals for new indicators, subject to validation when the CLE is completed: Managing for efficiency in IFAD: Progress under IFAD8 and proposals for IFAD9, REPL.IX/3/R.2, 29 September 2011. In the draft report on Ninth Replenishment Consultation, the key commitments under Institutional Efficiency include "Develop key business process efficiency indicators and benchmarks to facilitate identification of opportunities for process streamlining and cost-saving."

budget execution on a more frequent basis. This has allowed the organization to make reallocations, as needed, during the year for better results.

122. **A comparison of the ratio of IFAD's major expenses to the total budget with comparator institutions indicates relatively higher expenditures for consultants and lower expenditures in such areas as office facilities costs** (table 9). As mentioned in section 3, comparisons of costs across different organizations are affected by a range of factors, including differences in their size, business model, business processes and organizational structure. Despite such limitations, the comparison highlights the following:

(i) IFAD's staff costs as a ratio of the total budget are closer to those in the MDBs than in the other United Nation agencies and the Global Fund. Staff costs are addressed in the discussion on Managing People.

(ii) Consultancy expenses as a ratio of the total budget are similar to those in the Global Fund, but much higher than in the other comparator institutions. IFAD's practice of hiring consultants is discussed in section 2 (Programmes and Programme Management).

(iii) Travel expenses as a ratio of the total budget are roughly comparable to those in the comparator institutions. Recent changes in IFAD's travel policy are discussed below.

(iv) All other expenses (including office facilities costs) as a ratio of the total budget are lower than those in the MDBs as well as in the United Nation agencies.

123. **In June 2012, the EMC approved a number of changes in the travel policy aimed at saving travel costs.**[125] The changes included: (i) implementing a preferred hotel programme in conjunction with the other Rome-based agencies; (ii) eliminating the 50 per cent of DSA for overnight travel; and (iii) encouraging the use of low-cost carriers. However, encouragement of the use of low-cost carriers may not be effective without a preferred airline programme in conjunction with the Rome-based agencies. In this regard, we noted that the EMC at the same June meeting authorized the CSD Head to establish a working group to review incentives for identification of least-cost travel options, options for preferred airline programmes, timing and effectiveness of travel authorizations; and efficiencies in processing travel authorizations and arrangements. The EMC also approved maintaining a 4-hour travel-time threshold beyond which business class flights will be endorsed, with all travel in Europe to be authorized in economy class. The provision for economy class travel in Europe mitigates the cost impact of business class travel on trips exceeding 4 hours, as such travel would in most cases be transcontinental; travel policies in other IFIs usually allow for business class travel on transcontinental flights. A survey carried out in 2010 through the IFI Benchmarking Website showed that the large majority of travel (about 70 per cent on average) in the five IFIs that responded[126] to the question on class of travel is conducted in business class.

TABLE 9

Comparison of expense ratios with comparator institutions*

Percentage

Expense category	IFAD	AfDB	ADB	IDB	UNDP	UNICEF	GF
Staff	64	65	65	68	79	73	71
Consultants	16	6	6	9	2	1	15
Travel	6	8	6	2	3	3	5
All other (including office facilities costs)	14	21	23	21	16	23	9
Total	100	100	100	100	100	100	100

Source: Board budget papers of above institutions.
* A number of comparator institutions do not disclose their expenses by expense category in their Board budget papers. Hence the comparison in table 9 is more limited than in tables 4 and 5.

[125] Minutes of EMC meeting, 7 June 2012.

[126] IFAD was not one of the responding IFIs to the question on class of travel.

124. **IFAD's corporate budget function is significantly understaffed for its proper corporate role of oversight and analysis.** The budget function, located previously in FOD and moved to OPV in December 2012, is staffed with only one P-3 and one junior P staff. The staff is overstretched in executing its heavy workload and lacks the necessary capacity as well as sufficient visibility and weight in the institution.[127] The plans to hire a manager at the P-5 level might not provide the required seniority or staff capacity to lead the corporate budget process.

125. **The consultation with IFAD Governing Bodies and corresponding approval process of the annual work programme and budget processes for both IFAD's POLG and administrative budget, and for IOE's work programme and administrative budget are cumbersome.** The question arises whether there are ways for streamlining the consultation and approval process, while ensuring that the Governing Bodies are able to discharge their role of providing strategic guidance and oversight appropriately. IFAD Management is required to have annually a total of five interactions, respectively, with the Audit Committee (in September for the high-level preview and November for the final submission), EB (in September for the preview and December for the final submission), and thereafter with the GC in February of the subsequent year for the approval of the budget (noting that the work programme is approved by the Board in December). The situation for IOE is even more taxing, with two additional presentations (to the EC in July for the preview and the final proposal in October). IOE therefore has to make a total of seven presentations to the Governing Bodies for securing the budget approval of around US$6 million.

Principal findings – managing people

126. **People management efficiency is a function of (i) the degree to which the institution assembles the right workforce (staff and consultants) to achieve its business objectives at least cost and at no concession to quality and (ii) the level of sustained performance it generates from a focused and motivated staff cadre.** Staff and consultant costs constitute 80 per cent of IFAD's administrative budget, making people management efficiency central to overall institutional efficiency. To evaluate people management efficiency, the CLE focuses on the skills composition, cost and performance of the workforce. People management issues are cross-cutting. Shortages of in-house technical capacity, over-reliance on consultant expertise for core work and a high staff cost structure are themes that also surface prominently in the sections on programme management and O&S functions.

127. **The CLE recognizes the considerable attention the institution has paid to improving people management, culminating in the current unfolding Human Resources Reform component of the Change Reform Agenda (CRA).** This marks the fourth occasion IFAD has confronted shortcomings in its HR management in little more than a decade. Earlier attempts led to incremental improvements but tended to lose impetus or focus and ultimately fell short of expectations, with many issues persisting. This may be partly explained by the intractability of the problems and the lack of continuity in HR leadership during the period, though the appointment of a new divisional director in 2011 has since provided much needed leadership of the function. The HR function found itself in a reactive mode, playing catch-up to evolving institutional trends; the most recent example being the late attempt to put in place the necessary HR policy framework to support the strengthening of country presence.

128. **Since 2007, IFAD's workforce has been growing steadily.**[128] During the period, total staff has increased by roughly 30 per cent while consultant FTEs increased by 43 per cent from 2008 to 2011 (see figure 9).[129] Staffing at the P levels increased by roughly 65 per cent in the period and a significant number of national staff has been hired in the field.[130] GS staff numbers have remained relatively stable between 2007 and 2012.

129. **The nature of the IFAD employment relationship has been changing quite dramatically.** An organization in which most staff traditionally enjoyed open-ended appointments and a commensurately high degree of job security had changed by end of 2011 to one in which some 60 per cent of staff

[127] The 2010 external consultant review of IFAD financial services and treasury recommended the creation of a budget preparation division.

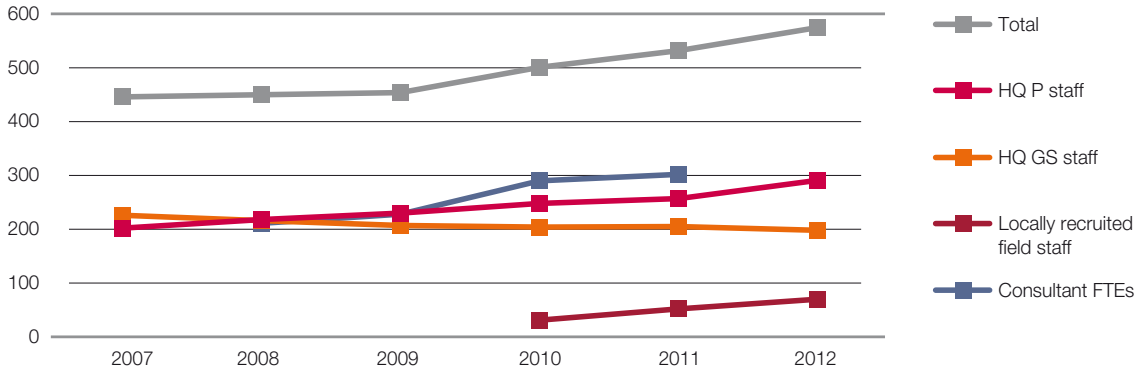
[128] Unless otherwise indicated, all workforce data is based on reports prepared for the CLE team by the HR Analysts unit in HRD in late 2011. The 2011 fourth quarter CPR published subsequently presents incrementally updated data, but the differences and trends are at the margin.

[129] Due to data inconsistencies, 2008 is the earliest date for tracking consultant use trends.

[130] The pace of growth of national staff is not accurately represented by the raw HR data. However, some of the "hiring" in the field amounted to reclassification of individuals already working for IFAD, but under contract with other United Nation agencies.

FIGURE 9

IFAD workforce trends 2007-2012



Source: IFAD annual reports; annual results-based POW and administrative and capital budgets.

held (renewable) fixed-term appointments. A further 15 per cent held temporary appointments, bringing the total time-bound appointment complement to over three-quarters of the staff. This percentage is likely to increase further with the attrition of older, more tenured staff. At one level, IFAD is simply following the IFI trend towards a fixed-term (renewable) contract regimen and must be commended for injecting fluidity into the employment mix. Yet, care will also be required to ensure that time-bound employment contractual horizons do not impede efforts to build up and retain core expertise by rendering the institution unattractive to the very talent it most needs.

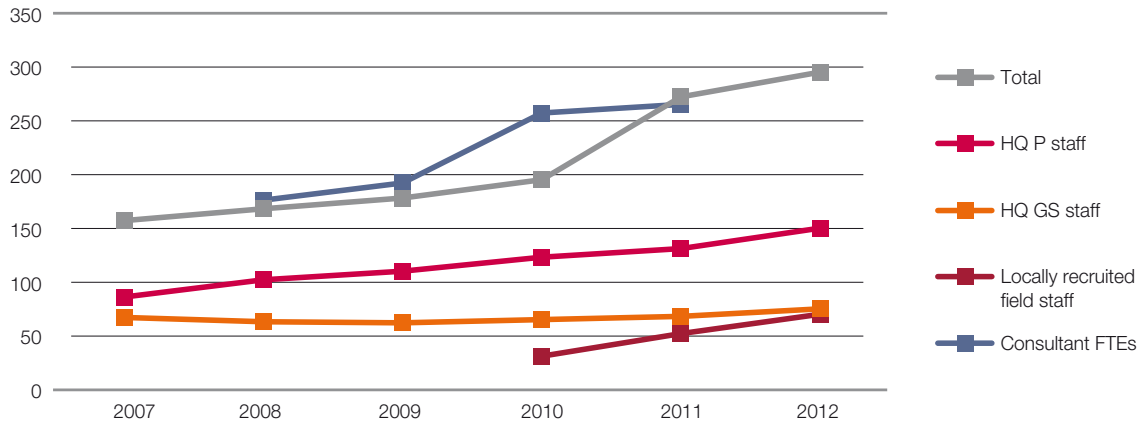
130. **The expansion of the workforce has occurred piecemeal and without a clear strategic perspective.** The IEE report clearly flagged the potential for substantial skills renewal in the wake of high natural attrition of P staff in immediately subsequent years. IFAD failed to capitalize on this opportunity, notwithstanding the pressing need for additional and new skills aligned with the new business model. Staffing decisions were made mostly at the divisional level, without the benefit of strategic or institutional oversight. Line managers frequently met the needs of work programmes by using budgets earmarked for the filling of vacant staff positions to hire consultants instead.

131. **The concept of a Strategic Workforce Plan, introduced in 2010, though it contained few specifics and enjoyed uncertain ownership within IFAD, constituted a necessary and useful first step toward improving staffing practices.** The CLE believes that the lack of a coherent staff planning process and the somewhat laissez-faire approach to filling vacancies have contributed directly to workforce inefficiency. There are critical gaps in the current staffing mix, particularly in the area of technical talent in operations: units rely too heavily on consultants for core work, and the buildup of national staff in the field has been underexploited. These issues are dealt with below. A second, more rigorous effort at strategic workforce planning was completed following the Job Audit. In all likelihood it would have been better if this planning exercise had preceded the audit.

132. **P staff in PMD more than doubled between 2007 and 2012 (see figure 10) but little of this growth added to the pool of technical specialists; IFAD remains excessively reliant on consultants for core programme and project work.** Section 2 (Programmes and Programme Management) highlights the low staff-consultant ratio (roughly half that of IFI comparators), the paucity of in-house technical capacity and the fact that little of this capacity is available for services at the client interface. A strong case is made in that section for altering the staff-consultant mix and strengthening project teams with in-house technical capacity. The number of consultant FTEs, mostly used to provide technical support to project teams in PMD, mushroomed from 176 in 2008 to 265 in 2011. The average length of individual contracts remains at just over 30 days, but the number of consultants who worked more than 100 days cumulatively per annum rose to 177 by 2011, a more than twofold increase over 2005. In effect, there is a buildup of a shadow workforce without quality-at-entry due diligence and with important implications for the institution. The CLE recognizes that strengthening in-house technical capacity and substituting staff for consultants will increase costs. Cost increases, however, have to be set squarely against the anticipated improvements in outcomes and impact, such as through greater success in policy dialogue toward scaling up.

FIGURE 10

PMD workforce trends



Source: IFAD annual reports; annual results-based POW and administrative and capital budgets.

133. **Average staff costs at IFAD are high for a combination of demographic and salary scale reasons.** Though it is altering with the intake of more junior staff and the imposition of term-only appointments, the staff structure continues to be populated at both P and GS levels by many long-serving staff at or close to the ceiling of their respective grade ranges and salary bands. To compound matters, P staff tend to be recruited high in the grade range (25 per cent enter IFAD employment directly as P-5s), leaving little room for professional growth and cementing-in high per capita salary costs. Support staff compensation levels in Rome present a particular problem. Using GS salary survey methodology, the recent Birches study estimated that IFAD GS salaries were 18-42 per cent higher than the equivalent US State Department and World Bank Rome office scales. The impact of inflated scales is amplified by the unusually high GS to P staff ratio – roughly 0.7:1 (down from close to 1:1 in 2008) in IFAD versus a benchmark average of 0.28:1. Moreover, GS salary scales overlap with those of contiguous professional grades to an extent not found elsewhere.[131] The study did not find professional grade scales to be similarly out of line: they are, in fact, on average, 17 per cent lower than the comparator equivalents. The institution recognizes the cost anomaly nestled in the GS Rome salary structure and is proactively addressing it through the embargo on GS staff promotions and dampening of normal salary progression. The strategic workforce objective is not only to lower per capita GS staff costs but also to scale back the proportion of the GS staff; this is crucial for enhancing IFAD's administrative efficiency in the future. However, this is not happening as quickly as needed, partly because of a significant countervailing buildup of GS staff on temporary appointments and the challenges associated with separating staff on career contracts. And, with isolated exceptions – the Nairobi regional office – the potential to reduce staff costs by exploiting the differentials between field- and Rome-based salaries has yet to be realized.[132]

134. **Staffing demographics also contribute to high staff cost and thus to people management inefficiency.** Though it is altering with the intake of more junior staff and the imposition of term-only appointments, the staff structure continues to be populated at both P and GS levels by many long-serving staff at or close to the ceiling of their respective grade ranges and salary bands. In addition, P staff tend to be recruited high in the grade range (25 per cent enter IFAD employment directly as P-5s), leaving little room for professional growth and cementing in high per capita salary costs.

135. **Attempts to stimulate turnover by means of financial inducements have proven to be both largely ineffective, yet upcoming natural attrition gives the institution latitude to renew staff while containing salary costs over the coming five years.** The disappointing results of the Voluntary Separation Programme demonstrated (VSP) demonstrated that most longer-servicing staff finds continuing

[131] Unsurprisingly, the Birches findings are hotly contested by the IFAD Staff Association's Executive Committee members who met with CLE team members, and disputed more generally by GS staff who participated in focus group meetings.

[132] Based on 2011 standard staff cost data, locally recruited field positions are roughly one third to two thirds less expensive than Rome equivalents. There are pronounced regional disparities: Latin America is the most expensive region in which to hire local national staff; on the other hand, Africa is the least costly.

employment with IFAD more attractive than early departure on financially attractive terms. Continuing membership of the United Nations compensation and superannuation system effectively rules out more ambitious early retirement scheme experimentation. Turnover inertia at senior P and GS levels clearly sets limits on the institution's scope to replenish skills sets but should not be construed as an absolute impediment. Sufficient latitude is in fact present in the system. The CLE finds that natural attrition through mandatory retirements in the upcoming five years through 2017 provides ample scope for the institution to build up its technical core and make adequate adjustments to other skills sets. A firm stance on renewal of fixed-term appointments of mediocre performers, together with a more creative approach to maximizing the potential of field staff will only augment these degrees of freedom further. The CLE has developed some preliminary scenarios which indicate that such strategic management of the workforce could create room within the current salary budget for IFAD to add necessary skills.

136. **The cohort of locally recruited national staff in the field is expanding rapidly without the benefit of an agreed framework for this increasingly important segment of the workforce.** According to recent reporting, 40 national officers had been recruited, together with a greater number of support and ancillary staff. However, most recruitment to date has taken place without strategic oversight, a template of policies and rules, or a clear understanding of the full potential of the role and scope of national staff. The recently promulgated new Staff Rules and the new Country Office Handbook should impose order on the hiring processes and on country office management and are welcome developments.

137. **Little substitution of staff between headquarters and the field offices is taking place, denying the institution the potential efficiency gains of moving work to lower-cost locations that are closer to clients.** Arguably the most glaring deficiency in the implementation of the country presence model is the fact that locally recruited national staff has been treated, de facto, as complementary to, rather than a replacement for, current Rome-based staff capacity. This pushes up staffing costs in absolute terms and may hinder efforts to leverage the full potential of national staff, in particular the CPOs. Recent decisions, such to have only one GS staff – either in the field or headquarters – in place where IFAD has a country office, will help to contain costs.

138. **Insufficient attention has been paid to realizing new skills profiles of CPMs, pivotal to the success of the new business model.** The requisite CPM profile has been altered significantly by the imperatives of the new model.[133] The prior CPM role occupied a very entrenched place in the prior IFAD operating model. Traditionally it bestowed primacy on country relations management, with project design and supervision effectively outsourced and managed at arm's length. The new model has brought responsibility for design, supervision and implementation support of projects in-house; and replication of projects for scaled-up impact has become central to the institution's mission. The implications for the CPM role could not be more pronounced. A high-performing CPM would now be expected to (i) assemble and lead project teams; (ii) have sufficient technical depth or cross-functional appreciation to manage specialist expertise (currently mostly consultant-based) embedded in project teams; (iii) manage country relations with a view to encourage partnerships for scaling up; and (iv) manage the interface with other development partners, including the private sector, to create opportunities for scaled-up impact.[134] PMD leadership is to be commended for recognizing this profound change by championing a series of well-received training programmes on design, DSIS and other pertinent topics, targeted at the new profile. It is unlikely, however, that sufficient change in terms of role, skills and mindset of the magnitude required can be brought about by voluntary participation in training alone.

139. **The available data on CPMs' skills and backgrounds profiles a cadre of experienced development professionals.** Most CPMs share an academic and professional career background, working in development in general and IFAD in particular. Roughly 80 per cent of CPMs hold at least one master's level degree, mostly from well-regarded universities and institutes; many possess more than one. More than half have academic credentials directly germane to IFAD's mission (defined as highest degree in agricultural science, rural development, agricultural economics or equivalent), in several cases up to the PhD level. Almost all current CPMs (98 per cent) have spent over 10 years working in development: three-quarters (76 per cent) have an IFAD

[133] This topic straddles programme and people management efficiency and is dealt with at length in the section addressing the former.

[134] The most proximate analogy of the new CPM role may be the typical engagement manager of a large management consulting practice. To extend the analogy, the role of partner, with geographic responsibility in such a practice, would roughly equate with that of the IFAD regional director.

association extending beyond 10 years, and over a third (36 per cent) have been in situ for more than 10 years. That said, it must be conceded that many of the current cadre of CPMs have limited direct experience in leading complex project teams and few have been tested in the arena of successful scaling up. Additionally, little consideration is given to the softer skills – the capacity to engage partners or undertake policy dialogue. These concerns are important because the evidence strongly suggests a wide discrepancy in the performance of individual CPMs: in some cases, an impressive background does not (or no longer) translate into acceptable performance. Management is looking into this issue in the context of the recently completed strategic workforce planning exercise.

140. **Insufficient attention is paid to how CPM potential talent is groomed internally or to how CPMs are recruited externally and regional approaches continue to differ markedly.** The CLE team believes that the Associate Country Programme Manager (ACPM) role has not served the institution well. Too often it has been leveraged as a crossover point for externally funded and other generalist staff aspiring to transit to regular IFAD employment. This is directly contrary to the strategic core of the CPM role. Additionally, little thought has been given to the ranks of CPOs in the field as a source of potential CPMs capable of making the transition to an international career. The CLE fully recognizes that such a transition will likely be the exception rather than the norm and that in-country success does not necessarily translate into cross-country effectiveness.

141. **Rotation of CPMs across regions is a desirable strategic workforce objective.** Systematic acquisition of cross-regional experience by CPMs is important for career development, succession planning and KM reasons. Currently, the scope to manage CPMs as an institutional asset is hampered by the variations in CPM positions across regions and the absence of established rotational mechanisms.

142. **The policy surrounding assignment of CPMs to country offices needs review.** There is no clear or defensible rationale for allowing the field placement of CPMs to be optional or dictated by the preferences of the individuals concerned. The new incentives for P staff in field offices may prove effective and go a long way towards ensuring that moving to the field can occur without financial penalty: they will of course result in increased costs but that might be justified for both policy and practical reasons.

143. **Opportunities for systematic staff and career development at IFAD are limited.** In a relatively flat organization below D levels – and given workforce demographics – career development at IFAD is increasingly confined to lateral mobility opportunities and taking on of new challenges. Notwithstanding the recent successes in PMD, career development is hampered by the absence of a strong, institutionalized staff rotation process. Staff is clearly unhappy with the status quo: the 2010 Attitude Survey – question 104 – "I have adequate opportunity to advance my career" – received favorable ratings of only 19 per cent and unfavorable ratings of 54 per cent. The institution has a fairly orthodox formal staff development and training programme with a centrally held annual training budget. The 2011 fourth quarter CPR reported that 70 per cent of staff had attended at least one training event during the year. However, the sense emerging from CLE focus groups and other meetings is that IFAD does not have a strong staff development culture. Continuous learning is not perceived as a core undertaking. Attitude survey responses support this observation. Staff opinions tend to be lukewarm with high neutral and less than 50 per cent favorable responses.[135] Whether this is a function of staff indifference to personal development or is a commentary on the quality or relevance of the formal menu of training programmes (or some combination of both) is impossible to gauge with any precision. The CLE concludes, however, that the institution is not making full use of the potential of its staff leading to inefficiencies in people management.

144. **IFAD is not yet placing sufficient emphasis on accountability for superior, sustained performance and for performance management, more generally.** Performance management is the third pillar of the People Management Efficiency Framework; yet it is found to be weak. IFAD lacks an organizational culture with embedded performance focus and accountability. This is borne out by the results of the CLE staff surveys. For example, only 43 per cent of CPMs and 36 per cent of technical staff agree that IFAD's culture, incentives and HR policies promote accountability for achieving results; responses at the "agree" and "strongly agree" level are only16 per cent favorable for CPMs and 14 per cent for technical staff. To the extent that indices of staff engagement shed light on performance – or indicate high motivation – staff surveys tell a more nuanced story. Questions about personal awareness of

[135] Corresponding World Bank responses, in contrast, are in the 70+ per cent favorable range.

deliverables and assumption of responsibility score highly (90 per cent favorable), while views on the divisional or higher-level awareness fall into the 50 per cent favorable range. The CLE surveys further reveal that engagement levels are significantly higher at GS levels in the institution (60 per cent versus 50 per cent ranges, respectively).

145. **The Performance Evaluation System, a key performance management instrument, is cutting-edge in terms of design and it is well supported by HR, yet it struggles to elevate performance or to differentiate evaluations in a meaningful way.** Outstanding performance is, at best, recognized in symbolic but not tangible ways, and cases of underperformance seem to be mostly overlooked and undocumented. The lack of seriousness is evident in the asymmetrical distribution of the System's ratings, which are heavily skewed towards the right-hand side of the performance bell curve. In the 2009 and 2010 performance periods, two-thirds of staff or more were rated as being "fully satisfactory" or "fully meeting expectations," with the remaining third being rated as "superior," "exceeding expectations" or, in 2009 when the category existed, as "outstanding". Conversely, only 2-3 per cent of staff warranted a "partly satisfactory" or "partly met expectations" rating[136] and only one staff member was rated "unsatisfactory" or "did not meet expectations". The distribution of ratings departs from the more normal pattern to be expected from an organization of IFAD's size and sophistication and is also at variance with what some senior managers reported to the CLE. While not empirically verifiable, most senior managers view the percentage of staff that are underperforming to be notably higher than the numbers given above. This Management perspective, it should be noted, is not fully supported by the results of the two most recent Staff Surveys which offer somewhat contradictory findings on this topic: confidence in the accuracy and fairness of individual performance ratings fell between 2008 and 2010, while belief that corrective action would be taken when performance standards were not met actually rose.

146. **A risk-averse approach to performance management is part of IFAD's organizational culture.** The drivers of risk aversion are likely numerous, intertwined and mutually reinforcing. They may stem partly from shared tendencies towards harmony and inclusion and away from conflict and discord. Equally, managers appear to be tolerant of moderately satisfactory (or "good enough") performance and are generally apprehensive about the possible reputational risks associated with becoming embroiled in the formal grievance process, notwithstanding the rarity with which this actually occurs.[137] To some extent, performance problems appear to be dealt with outside of the formal performance management processes. In the period from 2005 to 2011, for example, there were as many terminations resulting from non-renewal of term appointment as there were from voluntary turnover. However, notwithstanding the attractions of expediency and even though the majority of staff are now on fixed-term appointments, letting fixed-term appointments lapse is not a substitute for proactive performance management, including use of the probation process, dealing honestly with performance through the Performance Evaluation System and when necessary – and with proper HR support – navigating performance cases through the grievance process.

147. **Weak performance management and the lack of accountability for results lead to "pockets" of underperformance and non-performance, which account for a significant loss in IFAD efficiency**. This highlights the urgent imperative for Senior Management to tackle this issue and foster a culture of high performance and accountability for results.

[136] The breakdown of "partly satisfactory" ratings by department does not indicate a pattern of "repeat offenders" and seems relatively randomly distributed by department over time.

[137] According to LEG, the International Labour Organization appeals hearing, the ultimate stage of the grievance process, has been resorted to only about twenty times in the history of IFAD.

Key points

Managing results and budget

- IFAD has created a comprehensive framework for managing results in response to the IEE, but has not yet used it to establish clear linkages between work programmes and budgets and expected and actual results. Recent direction from the GC on results management highlights the need for IFAD to ramp up its current efforts.
- IFAD is making progress in instilling a stronger budget management culture in general. More attention is being devoted to budget formulation, monitoring, execution and reporting. The 2013 budget has also enhanced transparency in the funding of recurrent costs.
- Budget allocations are not transparently based on prioritization and trade-offs across and within departmental work programmes, determined with a medium-term perspective. The 2013 POW indicates some progress in prioritization of budget allocations.
- Accountability for budget management is hampered by the absence of an iterative process of aligning work programmes and budgets during budget formulation and recent changes in the rules of decentralized budget management.
- The absence of an integrated review of work programme delivery and budget utilization, timely reporting to the EB on such reviews and meaningful key performance indicators lead to important gaps in IFAD's budget management efficiency.
- People management has been and remains a challenge for IFAD, despite repeated attempts to address shortcomings over the last decade.
- Implementation of HR reform has picked up momentum under the leadership of the new director appointed in 2011, and the comprehensive job audit and strategic workforce plan is a welcome initiative.
- IFAD's staff skills, particularly in programmes, are not fully aligned with the requirements of the new business model.
- Staffing of expanded country presence has lacked a strategic perspective and is thus underleveraged.
- IFAD's staff costs are high, yet needed room for desired skills can be carved out while addressing the existing inflated cost structure.
- Uneven staff performance, driven by weak and risk-averse performance management, is a major contributor to inefficiency in people management.

5 Organization, leadership and decision-making

148. The preceding sections have addressed different aspects of IFAD and their bearing on IFAD's efficiency, particularly with respect to IFAD's imperative of contributing to the achievement of scaled-up impact. All of those aspects are significantly influenced, if not driven, by IFAD's leadership, the subject of this section, and governance, covered in the following section. This section sets out the principal findings of the CLE on the efficiency of IFAD's executive decision-making processes, and the underlying delegation of authority (DoA) and accountability framework. These aspects are assessed in the context of IFAD's new business model, which underscores the importance of: DSIS; expanding country presence; and enhanced focus on results. **IFAD has strengthened its organizational structure in the past few years with the intent of improving institutional effectiveness and efficiency.** This is reflected in the establishment of SKM, FOD, CSD, Environment and Climate Division, Partnership and Resource Mobilization Office, Statistics and Studies for Development Division, and the Ethics Office.[138] At this stage it is not yet possible to comment on their full performance, given that these departments/units were established relatively recently.

149. **IFAD's top leadership is championing increased efficiency, which is important to ensure the required momentum of the changes that are being deployed.** However, in some instances, the need to pursue efficiency gains is not clearly understood or accepted by staff. This might in part be due to insufficient communication from managers clarifying the underlying rationale for efficiency reforms and the fact that efficiency improvements may also necessitate adjustments to benefits and entitlements staff have enjoyed in the past. Efficiency improvements also suffer from low visibility in managerial accountability and performance evaluations.

[138] Starting from December 2012, the Budget and Organizational Development Unit will no longer be located in the Financial Operational Department, but in OPV, and report to the Vice-President.

150. **IFAD's decision-making processes are perceived as time-consuming and cumbersome.** In the 2010 Global Staff Survey, 60 per cent of the respondents reacted unfavorably to the proposition "IFAD's internal procedures are efficient" – one of the areas with the most negative perceptions. These views are strongly confirmed in the 2011 CLE survey, where 86 per cent and 88 per cent of the respondents "agree" or "strongly agree" that IFAD's institutional efficiency suffers significantly from cumbersome internal decision-making (as well as time-consuming administrative processes, discussed in section 3). The speed at which decisions are implemented is perceived more favorably (table 10).

151. **IFAD relies on a large number of committees and working groups relative to its small scale.**[139] This imposes a significant burden on the small circle of the participating managers. This strong reliance on "committee decisions" is increasingly in contradiction with (i) recent organizational strengthening through a number of high-level line manager appointments; (ii) the evolving demands of the adopted business model, including the challenges of managing an expanding number of country offices;[140] and (iii) the demands to manage for results more efficiently and effectively. Those growing tensions are illustrated in table 11.

152. **The Executive Management Committee and Operations Management Committee were set up in 2009 to enhance the accountability of managers, divisional coordination and transparency in decision-making.**[141] The intent

[139] They reach from management committees, including EMC, OMC, IMT, PDMT, OSC, Policy Forum, Management Review Group to oversight committees, including QE, QA, FICO, FALCO, Risk Management Committee, ICT Governance Committee, Publications and Communications Committee, HR Selection Committees, to working groups, such as Procurement WG, Institutional Contract WG, Project Life File WG, PBAS WG, Blend Terms WG, IOE Consultant Management WG, LGS Steering Committee et al.

[140] In 2011, 86 FTEs were posted to IFAD field offices, of which 19.75 internationally recruited and 66.50 locally recruited FTEs; see addendum to IFAD's 2012 results-based POW and administrative and capital budgets, EB 2011/104/R.2/Rev.1, annex VI.

[141] See President's Bulletin, PB/2009/04 of 8 May 2009.

TABLE 10

2011 CLE survey on IFAD's decision-making

"IFAD's institutional efficiency suffers significantly due to:" On a 6-point scale, responses were classified as: 4 = partially agree, 5 = agree, 6 = strongly agree	CPMs		Technical staff		GS staff	
	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6
Time-consuming administrative processes	100%	86%	100%	89%	88%	64%
Cumbersome internal decision-making processes	97%	88%	100%	68%	91%	61%
Slow implementation of decisions	77%	49%	95%	63%	85%	57%

Source: CLE survey.

TABLE 11

Managerial decision-making at IFAD – "prevalent mode" vs. "requirements of new business model"

Topic	Prevalent mode	Requirements of new business model
Accountability of line manager	Weak accountability, combined with extensive upward delegation for committee decisions	Strong accountability of line managers, anchored in performance contracts
Focus of decision-making	Compliance control	Substantive guidance
Review/control intensity	Ex ante controls translate into multiple, iterative sign-offs, very costly	Ex post outlier controls in the context of delegated authority and accountability
Speed of decision-making	Slow, decisions delayed	Fast, decisions taken just in time
Risk management	High risk aversion Bureaucratic ERM process of little relevance	Risk acceptance in line with clearly defined institutional risk boundaries Agile, just-in-time operational risk management to shape operational outcomes

Source: CLE author.

of the EMC committee, chaired by the President, was to "strengthen the corporate culture and ways of working within the Fund… to strengthen the accountability of line managers, [and] to improve corporate decision-making." The OMC, chaired by the VP, was charged to "oversee the implementation and delivery of the Fund's corporate policies, strategies, programmes of work and budget. To this end, it shall be responsible for identifying and taking decisions on routine operational matters." The OMC was also increasingly used as a means to enhance corporate communication. Both meet once a week. Overall, EMC and OMC have considerably improved transparency, but coordination across units to achieve corporate objectives is still weak.

153. **While the EMC and OMC were designed to be complementary, in practice, their agendas and participation became overlapping.** Typically, OMC members had to be "…reminded to discuss operational issues at the OMC rather than pushing all decisions to EMC..." OMC rules and procedures are currently under review. As vehicles for information sharing, they are costly. Two out of three EMC agenda items refer to internal arrangements and housekeeping, reinforcing an "inside" and HQ-centric perspective. Consensus-building intentions overrule the elimination of agenda items that do not require committee decision. Valuable committee time is inefficiently spent on topics that could be addressed by line managers or through one-to-one meetings. This may also contribute to an upward delegation of decisions, delays and managerial risk aversion. The interviews conducted by the CLE team provided little evidence that OMC and EMC meetings had the intended impact of strengthening IFAD's corporate culture. However, the structure, composition and mandate of the OMC was reviewed in 2012 and modified with the aim of addressing some of the above issues.

154. **The roles and responsibilities of the LEG have been strengthened since 2008.** LEG's dual accountability is to provide neutral legal assistance to the Executive Board and to Management. In general, LEG's support for projects is broadly assessed as of good quality, though with some variance. However, feedback from IFAD managers and staff reveals that LEG is often required to clear numerous documents adding to the time for processing.

155. **LEG's role in corporate-level policies and decisions on corporate-level issues needs further clarity**. Besides being the custodian of IFAD's basic texts, the function of the General Counsel on corporate issues, as mentioned above, is to provide arm's-length opinions based on his/her independence and neutrality. However, LEG at times might have operated beyond its remit, partly due to situations where EMC discussions remain inconclusive and the follow-up falls on LEG, or where the OPV or EMC do not attribute ownership of a corporate-level initiative to the functional department, but rather to LEG. This may also be due to at times inadequate leadership of the responsible functional departments in effectively driving corporate-level proposals. As the organization evolves, the need for a clear division of roles between LEG and other organizational units increases, even though this may not always be easy. Further, in terms of the accountability framework under accepted governance standards, IFAD lacks a visible independent "Compliance Function" as has become the norm in IFIs.[142] This issue may require more analysis.

156. **Delegation of authority (DoA) at IFAD remains limited, with a focus on signing and compliance procedures.** IFAD is set up with all authority vested in the President.[143] IFAD's Handbook notes: "The President of IFAD… is responsible for conducting the business of the Fund. No member of the staff of IFAD has any authority unless it has been delegated to him/her by the President." The formal DoA instruments have expanded in an ad hoc manner, including manuals, office memos and other documents, with overlaps, gaps and inconsistencies, as stated in a 2000 audit. Ever since, LEG has helped clarify and streamline the issued DoA instruments; this process came to a conclusion in 2011 with the "Revised IFAD Manual and Framework for Delegation of Authority at IFAD."[144] Further work is needed to flesh out the more substantive delegation of roles and responsibilities. Until then the DoA framework remains incomplete; limited substantive delegation of authority may increasingly conflict with changing business needs associated with a decentralized institution.

157. **Existing job descriptions, terms of reference (TOR) and assessments for the annual performance management process at best define activities and compliance standards, but do not clearly specify performance expectations – a cornerstone of managing for efficiency**. IFAD's changing environment and business model, with increasing decentralization via country offices, require an appropriate level of devolved authority, ideally based on the "subsidiarity principle." "Performance and accountability contracts" can spell out the institution's performance expectations as a counterpart for the devolution of operational authority and financial resources.

158. **Performance contracts are missing at all levels of IFAD's managerial hierarchy.** The delegated authority of directors[145] remains narrowly circumscribed, as substantive issues are mostly decided at higher hierarchical levels or in committees. Wide variations in the approaches of regional directors with respect to quality control, portfolio management, country dialogue, knowledge sharing or budget management reflect more their personal preferences than regional

TABLE 12

CLE survey: culture and incentives

Per cent favorable responses (Agree + Strongly agree)	CPM	Technical staff	Non-PMD mgr
IFAD's culture, incentives and HR policies promote accountability for achieving results	16%	14%	17%
IFAD's culture, incentives and HR policies promote efficiency in the way the programmes and services are delivered	14%	14%	50%

Source: CLE survey, 2011.

[142] An independent "Compliance Function" addresses compliance risk, being the risk of sanctions, material financial loss, or loss to reputation an organization may suffer as a result of its failure to comply with compliance rules and standards. IFAD has, through AUO, an independent mechanism that is similar to a Compliance Function, but it is not visible in its organizational structure, or on its website, and is not defined as best practice dictates that it should. Additionally, IFAD does not [seem] to have in place a formal Project Complaints Mechanism.

[143] According to the Agreement Establishing IFAD and follow-up resolutions of 1977.

[144] See President's Bulletin, PB/2011/07, 7 December 2011.

[145] For regional directors, performance standards would typically also include accountability for the quality of their regional portfolios.

specificities. As discussed in section 2, CPMs largely operate in a free space of informally delegated authority with insufficient institutional oversight, limited IFAD staff support and limited strategic guidance by the regional directors. The CPM job descriptions are vague regarding accountability; prevailing informal performance expectations are not enforceable. The CLE survey (table 12) shows that only one of six CPMs and one of seven technical staff agree that IFAD's culture, incentives and HR policies support accountability for achieving results or promoting efficiency. Interviews by the CLE team have also confirmed weak accountability.

159. **Many interviewed senior managers pointed to a recent re-centralization of decision-making in OPV, with particular emphasis on hiring and resource allocation decisions.** In 2012, OPV perceived the need for re-centralization due to weak managerial accountability and line managers' non-compliance with some existing rules, especially in budget and HR management. The re-centralization is understood as being transitory in character while the issues arising from weak accountability and non-compliance are being resolved. Table 8 shows that the share of OPV budget is the highest at IFAD compared with all comparator organizations.

160. **This changing role of OPV was also assessed against the backdrop of IFAD Management's reaction to the IEE recommendation to appoint a managing director for a strong central management of IFAD's change agenda.** At the time, IFAD Management did not agree with this recommendation of the IEE[146] and expressed the view that "…the intended results would be better achieved by strengthened senior management oversight and direction". In a related context, the majority of interviewed senior managers indicated that the role of VP, which was clarified and strengthened with the last appointment, had not functioned in practice as intended. Rethinking the role is necessary also in light of the evolution in the size of the organization over the years as well as the current organizational structure, with four departments headed by individuals at the rank of an assistant secretary-general, and five divisions (part of the CSSG) and the Ethics Office "attached" to OPV. In this light, the recently opened vacancy of the VP position presents an opportunity to reconsider the need for this function with an eye to enhancing the efficiency of executive decision-making and in particular, in light of the recent strengthening of the Senior Management team with newly hired department heads.

Key points

- IFAD's top leadership is championing increased efficiency, which is important to ensure the required momentum of changes that are being deployed.
- The EMC and OMC aim to promote accountability, transparency and coordination in decision-making. Over time, their agendas and participation became overlapping, resulting in duplication of efforts in some cases and limiting efficiency. However, the OMC was reformed in 2012, which should lead to addressing some of the concerns of the past.
- The VP's position can potentially be very useful in IFAD's organizational architecture. The current vacancy in the post offers a timely opportunity to rethink its role and function, taking into account the organization's evolution over the years.
- IFAD's performance and efficiency suffer from weak managerial accountability. In particular: (i) it lacks a clear accountability framework to articulate performance expectations; managers are not held accountable for their units' efficiency and performance; (ii) CPMs operate in a "free space" of informally delegated authority without clear accountability; and (iii) delegation of authority is limited and focused mostly on signing procedures and compliance.

[146] This was one of only two recommendations of the IEE, which was not accepted by IFAD Management. The other recommendation which was not supported by IFAD Management pertained to the approval of loans and grants by the President without involvement of its EB, see IEE, p. 166, 174.

MALI

Adults participate in a literacy course in the community center of Cinzana.

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6 Governing Bodies

161. This section concerns itself with how the Governing Bodies affect IFAD's efficiency. The analysis extends beyond the efficiency of the functioning of the Governing Bodies[147] because their effectiveness is a major determinant of IFAD's organization, strategies, policies and the means it employs to achieve its objectives – hence, of IFAD's efficiency. The Governing Bodies are the Governing Council (GC), the Executive Board and by extension, its subsidiary bodies, the AC and EC. The role of the List Convenors and Friends (LC) and the triennial Replenishment Consultations (RC) are also addressed. IOE's role in IFAD is highlighted, because it affects the Board's ability to supervise and guide Management. The support to the Governing Bodies provided by SEC and the LEG is also reviewed in this subsection.

162. Much of the material is based on interviews and surveys, as well as review of key documents. Comparison with outcomes of earlier evaluations of IFAD, but also of other IFIs, has been used to establish progress or to point to remaining or new deficiencies and make recommendations for improvement.

163. **One of IFAD's strengths is that the constituent elements of its Governing Bodies, particularly of the Board, do not feel underrepresented.** One does not hear of dissatisfaction with "voice" or representativeness of the Board (and its committees) or with voting power. Aside from a small basic vote, voting power is based on cumulative contributions to the replenishments. On the occasion of replenishments, Member States are free to decide on the size of their contributions. The division of the membership into A, B and C Lists ensures that the three groupings (roughly OECD, OPEC and developing countries) which constituted IFAD from the start are always represented in meetings. The role of constituencies in the A and B Lists is complementary to the List system and consists in regulating alternation between members and alternates or temporary absence from the Board. In the C List, three sub-Lists fulfil a similar role. At the same time, it should be noted that the List structure has entailed a rigidity in Board (and committee) representation by allocating a fixed number of chairs to each List. This would not be a problem if the relative contributions of the Lists to replenishments had remained steady. However, the contribution of the B List has declined severely over time and that of the C List has strongly increased. While perhaps not of acute urgency, this issue should not be neglected.

164. **The GC, as the supreme governing body, has a role in improving efficiency.** It meets once a year in Rome, with the participation of governors from all IFAD Member States. This is similar to the practice in other IFIs. The Agreement Establishing IFAD charges the GC with a number of important tasks, including approval of the organization's annual administrative budget, election of the IFAD President (every four years), and adoption of the replenishment resolutions. The GC provides Member States with the opportunity to interact, meet with IFAD staff and Management, and gain a close insight into the organization and its work.

165. At the same time, the GC has not been the platform at which major debates have taken place. An exception is the election of the President. The discussions leading to the approval of the annual budget or the replenishment resolution have been fully prepared in the Executive Board and the Replenishment Consultations respectively.

166. The format of the GC has evolved over the years, with more attention and space given to the organization of panel discussions and side events on key topics related to global agriculture and rural development. This is appreciated by many Member States, but reduces time for governance issues and related business items.

[147] Defined as the time and costs involved in the preparation and conduct of governing bodies meetings Including IFAD Management and staff time involved in the writing of governing body documents, costs for translation and distribution of documents, interpretation and meeting attendance costs.

167. A majority of respondents to the survey of Executive Board members agreed or partially agreed that the above-mentioned approval of the annual budget could be delegated to the Board and that GC meetings could be held every two years (the election cycle of the President and the triennial Replenishment cycle needing to be taken into account).

168. **IFAD has never suffered from a backlash of its membership against purported ineffectiveness.** Replenishments have been of adequate size for IFAD's agenda and have not compared unfavorably with those of the IFI concessional funds. In spite of not being a large or conspicuous organization, IFAD appears to have operated broadly to the satisfaction of its membership.

169. **The Replenishment Consultations (RC) have been a prime source of priority setting for strategic change and policy direction on the part of the membership.** A topical example is the introduction of the CRA at the instigation of the Eighth Replenishment, with its strong focus on efficiency improvement, now taken over in IFAD9. This role of the RCs is valuable and makes up for some inherent weaknesses of the IFAD governance structure (see below). Indeed, for many Board members, an impending RC provides them with the opportunity to share their views and to interact with country authorities on IFAD issues, based in part also on Management's input. Despite this major role, IFAD has at times been confronted by unanticipated policy demands in the RCs. Under IFAD8 this resulted in a heavy burden of demands for reform and change. IFAD's use of an independent chair and the emphasis on consolidation made the issue moot under the IFAD9. The innovation of using an independent chair for IFAD9 proved to enhance the efficiency of the overall process, as it also allowed the President (who chaired all previous sessions) to focus on articulating IFAD priorities for the replenishment period. The preparation of the first midterm review (of IFAD8 presented to IFAD9) was also an important task undertaken by the Management to facilitate discussions in the Replenishment.

170. **The low frequency of Board meetings has helped to keep them focused.** Meetings are well organized, current chairmanship is strong and Board members tend to be disciplined in their use of time. The Board survey expresses satisfaction on the whole with present procedures; a majority is of the opinion that these allow members to fulfil their oversight and guidance duties satisfactorily. Nonetheless, complaints have been voiced over the years about overloading of the agenda, number and length of documents and lateness of document delivery.[148] Board and committee effectiveness suffer from this inefficiency, which in some measure lies outside the control of SEC. The length of meetings varies, depending on the agenda, between two and three days. In recent years, the agendas have been structured carefully, the documentation tends to be quite clear and members do not usually speak at inordinate length. However, there are still items on the agenda that in principle could be delegated to the President, particularly the approval of loans and grants. After the introduction in 2011 of lapse-of-time approval for loans below US$15 million, recently raised to US$25 million, about 60 per cent of them are still scheduled for discussion. The survey of EB members showed that a large majority do not favour cutting back on this item or delegating it fully to the President (annex 9). However the fact remains that there is relatively little space for discussion on results, policy and strategy, evaluation and lessons learned, as compared to the amount of discussion on process and input-oriented documents. The need to concentrate on major issues in the scarce time available should give the Board pause for thought.[149] The complaints mentioned above about lateness and length of Board and committee documents are shared by SEC itself and are now receiving serious attention.

171. **The non-residence of the Board and the fact that Member States rather than individuals with fixed-term appointments are members may explain the absence of qualification guidelines and a Code of Conduct for representatives of Member States in the Board.** While the heterogeneity of the Board must be accepted, a job description or broad qualification guidelines could be helpful to Member States in selecting their representatives and improve the available expertise in the Board.[150] On the occasion of a necessary amendment to the Agreement, the GC may wish to make up for the absence of guidelines.

[148] The client surveys conducted by SEC in 2010 and 2011 confirmed the lateness problem, which worsened over the latter year.

[149] The United States is required under domestic legislation to vote against or abstain on loans to certain Member States. Loans to such states could be dealt with under a regime of full delegation to the President by a commitment on his part to put them on the Board's agenda on a lapse-of-time basis.

[150] It is noteworthy in this respect that the Agreement Establishing IFAD does not contain the type of provision found in the charters of other IFIs stating that "Directors shall be persons of high competence in economic and financial matters".

172. **Basic governance standards demand a Code of Conduct for Board members as an integrity requirement and such a Code is a normal feature for an IFI.**[151] Particular importance is attached by Management and a number of Board members to the introduction of a cooling-off period. For example, there have been instances of pressure to appoint sitting members to staff and management positions in IFAD, including in IOE. This contravenes the separation of powers needed for the supervisory role of the Board. The issue of a Code of Conduct has been around for a number of years. A code should at least rule on conflict of interest, acceptance and granting of gifts, and a cooling-off period.

173. **The Board suffers from weaknesses that are inherent in non-residence, IFAD's hybrid nature as both an IFI and a United Nations organization, and the fact that it works in a politically inconspicuous niche.** The result has been a heterogeneous Board composition and a membership not always at senior levels, with dispersed duties and an inability to give the necessary degree of priority to IFAD. Also, the size of the Board is considerable, with 18 directors and 18 alternates, all with speaking rights. The role of IOE helps to make up for some of the weakness. So do the RCs. A strength of the Board is that it largely steers clear of micro-management, which tends to be a drawback of resident boards. Nonetheless, the Board and the committees should guard against devoting too much time to procedural issues. IFAD has an informal mechanism for ensuring continuity of dialogue among Member States and Management between Board meetings in the form of the List Convenors and Friends. They meet informally with the President in advance of each Board meeting and discuss the draft agenda as well as major issues that may arise at the meeting. They also, as the name indicates, convene their List if they see a need for separate discussion of an issue with the other List members. While the informality is an asset, it may be worth considering establishing a practice of documenting decisions in the minutes of their meetings to provide transparency to the process as well as improve flow of communication and information, as is done by the other subsidiary bodies of the Board. At times the anomaly arises that a committee chairperson, based in Rome, is not the formal appointee of his country to the Board. In that case, the limitation of access to Board meetings to the appointee precludes the chairperson from attending. A practical solution would be to grant committee chairs ex officio access.

[151] As an illustration, see http://www.ebrd.com/downloads/integrity/COCboard.pdf.

174. **Committee preparation in support of the Board, as in all the IFIs, proves to be essential to the Board's ability to deal with strategic and policy issues and carry out its fiduciary duties.** The existing advisory committees, the EC and the AC, play a useful role in this respect (strongly confirmed by the survey). The Committees do not have decision-making authority, as they are advisory organs of the Board. There are opportunities to strengthen the role of the AC in IFAD. Present-day audit committees of companies and financial organizations, including the IFIs, require expertise on controls and risk management among their membership. Recent professionalization and reform of the financial management of IFAD have raised the level at which financial issues need to be discussed. The experience in the business sector is that benefits can be gained from attracting outsiders with the requisite background as members of or advisers to ACs. The 2009 TOR of the AC only allow it to bring in external expertise in exceptional circumstances subject to budgetary space. An amendment to the TOR would be needed to make the presence of outside advice the norm for those meetings in which the AC's oversight of financial issues is at stake.

175. The EC plays a critical role in reviewing results and lessons from independent evaluations, and advising the Board on actions to strengthen IFAD's development effectiveness. The constructive interaction between PMD and IOE provides the Committee with much of the input it needs to assess strategic issues. All EC documents are made publicly available through the IFAD website, which is not the case for the AC. This might be worth considering towards strengthening transparency and accountability.

176. **The interaction of IOE with Management, particularly since the strong confirmation by the Board after the ECG peer review in 2010 of IOE's independence within IFAD in line with good practice in the IFIs, has been constructive and has helped the Board to firm its grip on issues of development effectiveness.** Changes in IOE's ambit with a heavier concentration on corporate- and country-level evaluations and in the EC's TORs have contributed strongly to the relevance of evaluation findings to the Board's supervisory duties. All recognize that IFAD's development effectiveness can further improve and that Management and IOE together need to create the structure and incentives for IFAD to evolve into an effective learning organization. This is a precondition for effective scaling up. The Board should stimulate the process as much as possible.

177. **The rapidly evolving demands on Governing Body members for strategic guidance and oversight of IFAD's changing business model are not yet receiving adequate attention from Board members and Management itself.** A tendency to focus on inputs rather than outcomes was already noted in the IEE. There is an imperative need for high-quality as a springboard for replication and scaling up. The consistent tracking of results, efficiency improvements and attributable impact, the implications of IFAD's DSIS, and decentralization, require further effort from Board members. The scope, quality and timeliness of its reporting to the Board are a major determinant of the Board's ability to fulfil its supervisory duties adequately and hold Management accountable. Committee discussion must focus on what matters and chairpersons' reports to the Board on the recommendations of the Board and on what requires further discussion.

Key points

- The overall architecture of the Governing Bodies, although complex, works.
- The GC is an important platform where Member States may interact. The format of the Council has evolved over the years to include discussions on thematic issues of interest, which is appreciated. However, this reduces space for addressing governance-related matters.
- Given the nature and function of the GC, and as a means to reduce institutional direct and in-direct costs, the possibility of holding the GC less frequently merits consideration. This will however require IFAD Governors to delegate their authority in key areas to the Board (e.g. approval of the annual administrative budget).
- The Replenishment Consultations have traditionally been the platform where major policy and strategic decision and direction are determined. The appointment of an independent chair for IFAD9 improved efficiency of the process. The conduct of the first midterm review (of IFAD8) provided a sound basis for discussions in IFAD9.
- The non-resident nature and heterogeneity of members are positive characteristics of IFAD's Executive Board. The Board agendas are generally crowded, with too much discussion on items related to process and inputs, and less on strategy, policy, results, lessons and evaluations. The Board could reduce overload by utilizing opportunities for delegation.
- The absence of a code of conduct for Board members might compromise the integrity of its strategic and oversight role. The lack of broad guidelines for the required qualifications and overall profile of Board members also constrains efficiency and effectiveness.
- The role of the existing advisory committees, the EC and the AC, is essential for the Board's preparation. AC effectiveness could be further enhanced by inviting an outside adviser to its meetings. The open debate between IOE and IFAD Management in the EC is important to enable members to better understand key issues and lessons of priority to the organization. The reports by the chairpersons to the Board do not sufficiently identify recommendations and unresolved issues.
- The independence of IOE and its sharper mandate (pursuant to the approval of the revised Evaluation Policy in 2011) set the stage for an improved learning performance by IFAD, which is a condition for achieving quality improvement and scaling up.
- The List Conveners and Friends mechanism is useful to promote constant dialogue between Member States and IFAD Management. However, its informal character might be limiting efficiency and flow of information and communication to all members.
- There are efficiency implications for dividing IFAD Member States into three Lists (A, B and C), in line with the Agreement Establishing IFAD. The relevance of the List system in today's context deserves discussion in the future, considering the evolution in the profile of IFAD Member States over the last 35 years.

7 Indicators to assess project and institutional efficiency

178. The evaluation also reviewed the indicators used in IFAD to assess both project and institutional efficiency.

179. **The evaluation finds that the definition and indicators adopted by IFAD for assessing project efficiency are consistent with the 2012 Good Practice Standards of the Evaluation Cooperation Group of the Multilateral Development Banks for Public Sector Evaluations.** IOE has adopted the OECD/DAC definition for efficiency, and the IOE Evaluation Manual contains a series of questions (indicators) that each evaluation follows to assess and rate project efficiency. Moreover, in light of the harmonization agreement signed by IOE and IFAD Management to align the independent and self-evaluation systems in IFAD, Management also adopts the same indicators to assess project efficiency.

180. **However, there are opportunities to better apply the indicators in both independent and self-evaluations to gain an even more accurate understanding of performance at the project level.** An important challenge for better assessing project efficiency is the limited availability of baseline data, as well as data on outcomes and impacts captured by project level M&E systems. This constrains evaluations in calculating economic rates of return at project completion. Therefore, the main constraint in assessing project efficiency is not the quality of indicators adopted by IFAD, but rather the application of methods and lack of readily available data for independent and self-evaluation to rely on.

181. **Institutional efficiency was explicitly reflected in the Board's decision in 2005 to introduce an institutional efficiency ratio** – the percentage of IFAD's annual administrative budget in relation to the US dollar value of its POW of loans and grants. It was decided that this percentage should not exceed 17.1 per cent, and IFAD was required to work towards reducing the ratio over time with a target of 13.5 per cent by 2012. The efficiency ratio in 2012 was 11 per cent, which is well within the target established by the Board.

182. **Management made a number of commitments during the Consultation on the Ninth Replenishment of IFAD's Resources in 2011 to improve IFAD's institutional efficiency.** Furthermore, new outcome and reach indicators and targets for operational and institutional efficiency have been included in the RMF 2013-2015[152] in order to support enhanced performance and to enable more comprehensive reporting on progress and achievements.

183. **There are three issues the efficiency evaluation raises with regard to the efficiency and other indicators in the RMF for the Ninth Replenishment period, approved by the GC in February 2012.** First, PCRs prepared by Governments are rated by PMD across all evaluation criteria (including efficiency) covered therein. The PCRs are the main source of data used for reporting against the eleven outcome indicators (e.g. relevance, effectiveness, efficiency, etc.) in Level 2 (IFAD's contribution to development outcomes and impact) of the RMF. This could raise doubts about the objectivity and credibility of reporting, given that the same entity responsible for project design and implementation support (i.e. PMD) is also responsible for rating the final performance of IFAD-supported projects. In fact, in other IFIs, it is normal practice for data from their independent evaluation units be used for reporting against the RMF, to the extent possible.

[152] https://webapps.ifad.org/members/gc/35/docs/GC-35-L-4.pdf – see annex II.

184. Second, policy dialogue, partnership building and KM are integral dimensions of IFAD's non-lending activities and should all be covered in the Level 4 (operational effectiveness of country programmes and projects) indicators, which is not the case at present. Moreover, client surveys are the main source of information for assessing performance against these indicators, which have limitations as response rates are variable and unpredictable and the underlying processes and methods in the production of client feedback are not known. Assuring systematic reporting on COSOP implementation on an annual basis, and the introduction of COSOP completion reviews, as per current guidelines should be a priority to help overcome this gap.

185. Thirdly, IFAD's RMF indicators could benefit from a stronger impact and outcome orientation, reflecting IFAD's specificity of its mandate (for example on Level 1) and from a clearer articulation as efficiency indicators, which would also facilitate benchmarking. Building upon the proposals put forward by Management as part of the Ninth Replenishment Consultations, the suggested set of efficiency indicators to be used by the Governing Bodies and Senior Management are proposed in the box on page 91.

186. **Towards an enhanced framework of efficiency indicators**. The box lays out a set of 12 suggested efficiency indicators, which reflect many of the reasoning and recommendations of this CLEE. The major differences to the existing set of indicators, which has been approved for IFAD9, can be summarized as follows:

- Stronger ongoing emphasis on IFAD outcome and impact (indicator I);
- Consistent tracking of the difference between expected and actual results; the more IFAD moves along the results chain from inputs to outputs and outcomes, the more relevant this difference will become for learning and risk management purposes (various indicators);
- Addition of indicator measuring scaling-up results (indicator III);
- Recasting programme efficiency (indicator V) through establishment of a closer linkage of the weighted outputs as cost drivers of IFAD's work programme, rather than the committed US$-volume;
- Measuring unit costs (indicator VI), a needed basic accounting instrument to enable IFAD managers to track the efficiency of delivering their work programmes, which requires, however, introduction of a time-recording system;
- Shifting IFAD's incentives (indicator VII) from commitments to implementation;
- Raising the bar for the quality of IFAD projects (indicator VIII);
- Country presence indicator to reflect the increasingly more important contribution of country offices to IFAD's work programme (indicator IX);
- Tracking budget shares of the various clusters (indicator X); and
- Addition of a department-specific efficiency indicator for all O&S departments, best suited to reflect the respective department's efficiency improvements (indicator XII).

BOX

Efficiency indicators

The efficiency ratio currently monitored by the Board – the ratio of administrative budget to POLG – is an ex ante indicator of IFAD's output efficiency, where output is measured by POLG (US$ value). The RMF includes other potential indicators. Management's commitment in the Ninth Replenishment to develop efficiency indicators provides a promising starting point to develop and implement a broader framework for managing efficiency. The list below builds on the proposals therein and is limited to a similar, small number of indicators directed to supporting effective oversight by the Board in this area. It extends the focus to higher levels of efficiency and to current and ex post measures. The criteria for selection of these indicators include, importantly: instrumentality in driving behaviour and performance; and responsiveness to management action in a reasonable timeframe – without being too volatile.

Indicators of efficiency at different levels

Indicator	Definition	Explanation/remarks
I. Impact Efficiency	POW/number of rural poor moved out of poverty	Ex ante, based on rolling cohort of 50 most recently approved projects Ex post indicator could be added in time Based on RMF 2.3.1
II. Reach efficiency	Disbursement/number of rural poor reached	Ex post
III. Country programme outcome efficiency – overall	Percent of COSOPs rated satisfactory or better Based on RMF 4.1.1	Ex ante from COSOP at entry, Current from COSOP Status Reports (new), ex post from CPEs
IV. Country programme outcome efficiency – scaling up	Percent of COSOPs rated satisfactory or better with respect to scaling up	New, ex ante, current and ex post as above
V. Partnership efficiency/ cofinancing efficiency	Cofinancing ratio	RMF 4.6.1
VI. Institutional efficiency	Ratio of administrative expenditure (including from fees) to a 'weighted' number of programme outputs	New, based on the fact that costs relate more to number of outputs than to related US$ value
VII. Institutional efficiency II	Ratio of administrative expenditure (including from fees) to POLG augmented by the value of programmes and projects managed by IFAD but funded by others	RMF 5.4.5, ex ante based on plan and budget and ex post based on actuals
VIII. Unit direct costs of programme outputs	Cost/output for each output category in course of year	Ex ante based on plan and budget, ex post based on actual; needs TRS to be in place
IX. IFAD performance	Percent of Projects for which IFAD performance is rated satisfactory or better	Ex ante QAE, Current from PSR/ARPP, Ex post from ARRI
X. Country presence (ICO) efficiency	Ratio of percent contribution of ICOs to PMD output to percent PMD budget allocated to ICOs	
XI. Share of budget to each cluster		RMF 5.4.2, ex ante based on Plan and budget and ex post based on actual expenditures
XII. Ratio of actual GS costs to total staff costs		RMF 5.4.8

It would be highly desirable to strengthen further outcome, impact and scaled-up impact evidence as the basis for efficiency indicators at these levels. The CLE recognizes that further preparatory work is needed to move in that direction. The commitment under the Ninth Replenishment to carry out Impact assessments is a step in that direction.

8 Conclusions and recommendations

Conclusions

187. IFAD is an organization with a focused mandate to promote rural poverty reduction. Its role, contributions and trademark participatory approaches are particularly appreciated by recipient governments, the rural poor and other partners at the country level. The Fund fills an important space in the galaxy of multilateral and bilateral development organizations, and has the potential to become a true centre of excellence for smallholder agricultural development.

188. Given its relatively small size as compared to other MDBs and its specialized mandate, it is difficult for the organization to benefit from lower output costs through economies of scale, and thereby enhance its output efficiency. However, this evaluation believes there are important opportunities for IFAD to further enhance both its programme and institutional efficiencies by making additional improvements to its operations, delivery model and internal processes.

189. Scaling up successful IFAD-funded programmes through their adoption by partner institutions (including governments) is vital to IFAD making a meaningful contribution towards alleviating rural poverty, hunger and malnutrition across the globe. But attracting partner resources for scaling up requires that IFAD produce successful, high-quality, and sustainable programmes, with demonstrated impact. IFAD-supported projects today are predominantly "moderately satisfactory"; IFAD must therefore raise the bar to deliver more projects that are "satisfactory" or "highly satisfactory." This will mean, inter alia, IFAD taking on board more risks through innovative pilot projects with the attendant implication that the overall success rate may even come down.

190. At the heart of achieving scaled-up impact is the need to develop an institution-wide culture of accountability for performance, well beyond the delivery of activities and outputs. IFAD has made a number of changes recently in the direction of improved accountability, such as the preparation of the MTP. However, it needs to move further away from a culture that emphasizes review and compliance to a new culture that sets realistic objectives and targets, pays more attention to results measurement and evaluation, and provides the required incentives to good performance while simultaneously introducing more stringent measures and sanctions for addressing poor performance.

191. This CLE includes ten main messages. They highlight the fact that cost containment across the board is not how the serious efficiency challenge faced by IFAD will be met. Judicious investments in technology, systematic redeployment of administrative resources towards high return areas, an enhanced skill mix, increased selectivity in operations, substantive delegation of responsibility and above all, cultural change focused on excellence and strategic partnerships hold the key to improved IFAD efficiency:

(i) **Project quality: noteworthy improvements but project efficiency lags**. There have been improvements in project performance since the IEE, and data suggests that the performance of IFAD-funded projects is better than the agriculture sector operations of ADB and AfDB and broadly on par with the World Bank. However, project efficiency continues to remain amongst the weakest performing of all evaluation criteria. Complex project designs, especially in relation to country capacities, insufficient financial and economic analysis, and limited funding for design constrain project readiness and efficiency.

(ii) **IFAD is appreciated for its flexibility and participatory approaches, but more focus is needed on the operational portfolio.** IFAD is recognized as being highly responsive to the needs of the rural poor and recipient governments, which is a distinguishing characteristic of the organization. But its operations are spread too thin, across a wide range of subsectors and themes covering a large number of results areas. This is exacerbated by

inadequate customization of its support programmes across different countries. Limited focus and country differentiation in IFAD-supported programmes make it difficult for IFAD to build the critical mass of expertise and skills needed to deliver high-quality client services in a cost-effective manner and are affecting both its project and institutional efficiency. The out-posting of CPMs is essential, but has been slow and a consolidated vision for organizational decentralization in the broader sense has yet to be articulated.

(iii) **Significant adjustments have been made to the operating model.** Over the years IFAD has made significant adjustments to its operating model, such as DSIS, country presence, and the introduction of an arms-length QA system. They are all critical to enhance effectiveness but they (as well as other measures still required to enhance the quality of partnerships and the technical soundness, innovation and creativity of IFAD operations) come at a cost that needs to be offset by increased strategic, thematic, country and instrument selectivity.

(iv) **Staffing is not yet sufficiently aligned to the changing business model.** IFAD's technical staff expertise within the Policy and Technical Advisory Division is too limited to allow participation in, and support to, key design and supervision missions. Current skills and competencies in operations fall short of requirements, especially in key areas, such as agronomy, private sector engagement, and policy dialogue for scaling up.

(v) **Corporate business processes need to adapt to decentralization**. There is a close link between IFAD's institutional efficiency and project efficiency. The Change and Reform Agenda introduced in 2009 aims to make IFAD a more agile, efficient and effective organization. However, heavy corporate business processes characterized by stringent ex ante controls, such as for loan disbursements and HR management (including consultants' management), and an insufficient information and communication system are factors affecting IFAD's total efficiency. The adjustments needed to corporate business processes and IFAD's operating model to adapt to a decentralized organizational architecture have not received sufficient attention.

(vi) **Managers and staff need a consistent and manageable framework for accountability for results.** Attention is being devoted to developing a platform for managing for development results, and improved budget management and reporting. A framework for results-based management and self-evaluation system is being put in place. However, the results framework is complex and different layers in the framework are not adequately aligned to facilitate aggregation and reporting. Progress against key indicators is assessed and reported based on IFAD's self-evaluation data without independent validation by IOE. Similarly, primary reliance on client surveys for reporting on selected indicators might not be credible and the efficiency focus of the indicators needs strengthening.

(vii) **Budget management and processes have been tightened in recent years, though there is room for further enhancement.** Budget preparation, execution, monitoring and reporting are being strengthened and made more transparent, though the budget function is not adequately staffed to enable it to play a wider role in strategic planning, priority setting and internal resource allocation. Managers at the divisional and departmental levels are not sufficiently held accountable for results and budget management, partly due to unsystematic access to timely and comprehensive data and information for mid-course corrective actions, but most importantly, due to the missing components of a consistent accountability framework for managers and staff.

(viii) **IFAD needs to work with implementing governments to address areas of weak government performance.** Government capacities and overall performance in the agriculture and rural sectors are one of the single most determining factors that impinge on the efficiency of IFAD-supported activities. Government performance under IFAD projects has not shown improvements for around a decade, and major challenges remain, especially at the lower administrative levels. IFAD has not addressed this problem head on. Areas where IFAD could support governments are: strengthening capacity for project design and PCR and M&E.

(ix) **Management of staff needs to be better aligned to IFAD's current needs.** IFAD is paying increasingly serious attention in recent years to HR reform, and good progress is being made in a number of areas. However, it faces several challenges in the area of people management: (i) overreliance on consultants for technical skills needed to operate the new business model, and

the concomitant lack of comparable in-house technical skills in programmes and projects; (ii) limited attention to leveraging the expanding numbers of staff in the field and substituting field-based staff for Rome-based staff; (iii) high costs of staff due to skewed grade mix and high proportion of GS staff; (iv) inadequate attention to the skills required for CPMs to fulfil their changed role; and (v) a risk-averse approach to performance management. A critical challenge is the need for an accountability framework with clear, substantive delegation of authority.

(x) **There is scope for further efficiency gains in the IFAD Governing Bodies.** In general, IFAD's governing bodies architecture is effective, and recent measures approved by the Board are on track to cut costs and enhance efficiency. The GC provides a useful platform for discussion on contemporary agricultural issues, though the balance between governance and discussion of agricultural issues needs reflection. Keeping in mind the objective to further reduce costs and overall organizational effectiveness, the need to hold the GC every year is questionable. The Board is generally well supported by its subsidiary bodies, but the Board's agenda is crowded and not sufficiently focused on discussing policies, results, lessons and evaluations. The lack of a code of conduct for Board members exposes the organization to reputational risks and needs attention. There are opportunities to achieve further efficiency gains in the functioning of the Board, while ensuring it satisfactorily fulfils its critical oversight and policy and strategy formulation role.

Recommendations

192. The CLE on efficiency includes one overarching objective and seven recommendations that support the achievement of the overarching objective. In line with good international evaluation practice, the evaluation recommendations will need to be translated into more detailed action items by IFAD Management, possibly in the form of a time-bound plan with specific activities and deadlines. In this regard, IOE is cognizant of the fact that IFAD Management has adopted a number of key commitments, including to increase "IFAD's institutional effectiveness and efficiency" as part of the Improvement Agenda in the framework of IFAD9.[153] Therefore, it is suggested that these commitments and the evaluation's recommendations (after consideration by Management) be combined into one overarching, consolidated IFAD action plan that serves as the main reference document to improve institutional efficiency moving forward. The Board may be invited to approve the consolidated action plan before its implementation is launched to ensure all evaluation recommendations have been properly and fully addressed therein.

193. It is also proposed that the implementation of the evaluation's recommendations through the action plan be monitored and reported annually in the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA), starting from its 2014 edition. This would eliminate the need for a separate progress report to the Board on the implementation of the action plan.

194. **Overarching objective: Raise the bar for IFAD's own performance as a partner to promote scaled-up impact for IFAD-supported programmes.** Achieving scaled up impact is the path to long-term impact efficiency. IFAD should strive to deliver consistently high-quality service to its clients and achieve satisfactory or highly satisfactory evaluation ratings for IFAD's own performance. This objective is supported by the following recommendations:

195. **Recommendation 1: Scaling up of high impact, innovative approaches emerging out of IFAD-supported projects and programmes should become the objective of IFAD's business model.** To this end, IFAD should sharpen its thematic/subsectoral focus through greater selectivity and complement its traditional focus on projects with greater attention to KM, partnership building and policy dialogue with projects to achieve scaling up. Moreover, IFAD should better align its country programmes and corresponding budgets with the differing country contexts and requirements, and tighten its project preparation processes with greater attention to financial, efficiency and sustainability aspects and economic and institutional analysis. The grants programme should also be repositioned to include, inter alia, support to governments for enhancing their capacity for project preparation and implementation. IFAD should add to the pool of in-house technical expertise in PMD to enable it to provide greater field inputs by staff to operations, strengthen team leadership with CPMs normally leading all major operational missions, and introduce mechanisms to balance better the workload across CPMs.

[153] For example, see annex 1 in document GC 35/L.4, Report of the Consultation on the Ninth Replenishment of IFAD's Resources.

196. **Recommendation 2: Articulate and implement a clear vision for country presence and how IFAD would operate in a decentralized environment.** A vision for the future management of IFAD should be developed that recognizes that the outposting of CPMs will lead to increased decision-making in the concerned countries. The vision should address the relationships between headquarters and country offices, the accountability of CPMs, CPOs and regional directors for operations, and the challenge of the flow of knowledge across country and regional divisions in a decentralized environment. It should also include an integrated review of the processes for ensuring quality, starting with the composition of teams for project preparation, and DSIS. IFAD should also make a realistic projection of the cost of IFAD country offices and pursue opportunities for making countervailing savings at headquarters.

197. **Recommendation 3: Manage O&S units, including critical ICT functions, with a clear focus on increasing service quality and cost efficiency.** The O&S units are important enablers for IFAD's overall efficiency because the processes under their purview have wide ramifications for the effectiveness of all IFAD units who use their services. Management should therefore develop and implement a clearly articulated strategy that focuses on the quality and cost efficiency of O&S, which would ensure a more efficient outcome for the organization and not necessarily the cheapest level of O&S service. Actions are needed to reform corporate business processes, reduce staff costs and increase managerial accountability for efficiency improvements. Additional resources will be required for major capital investments in the ICT function in line with the strategy.

198. **Recommendation 4: Better manage scarce budgetary resources towards high-quality results.** Allocation of budgets should be more clearly guided by the Strategic Framework 2011-2015 and RMF, and by using the MTP to provide specific guidance on strategic selectivity. The actual results achieved as reported through the ARRI and RIDE, and the different country contexts should be two further aspects informing budget allocations across regional divisions and country programmes. This strategic budgeting process will require greater autonomy of budget management and accountability for results at the departmental and divisional levels; modern budget information systems (including time recording and cost accounting) and augmented capacity in the central budget function. In this regard, the budget function should be headed by a staff member at the director level, who should be supported by additional senior staff. The recent practice of conducting rigorous periodic budget monitoring and reporting and reallocations as needed during the year should be continued.

199. **Recommendation 5: Manage strategically the skills composition, cost and performance of the workforce.** IFAD should manage the workforce composition within the framework of a clear and comprehensive process for strategic workforce planning driven by the changing nature of IFAD's approach to its client services. Specifically, IFAD should add technical expertise in PMD (see Recommendation 1), and make the consultant hiring process more rigorous for ensuring higher quality consultants. The staff cost structure should be adapted over time using the opportunity offered by natural attrition to provide the needed budget flexibility. Critically, a strong performance management culture should be instilled.

200. **Recommendation 6: Focus oversight by Governing Bodies on key strategic issues.** The GC should consider delegating approval of IFAD's administrative budget, including that of IOE, to the Board, and not holding its meetings annually. The Board could lighten its agenda by delegating approval of all loans and grants to the President, which would enable it to devote more attention to discussing on policies and strategies, results, lessons and evaluations. To confirm the integrity of IFAD's governance framework, a code of conduct for the Board should be introduced, in line with the other IFIs. Broad TORs for Board members should also be developed, to assist Member States in designating their Board representatives to IFAD. The Audit Committee should consider attracting outside professional expertise for major items on the agenda regarding financial oversight, controls and risks. Selected documents of the Audit Committee should also be publicly disclosed.

201. **Recommendation 7: Instill an institutional culture of accountability and performance and strengthen the reporting for results.** A stronger culture of accountability is needed as the critical enabler for superior performance at all levels. Actions needed for this purpose include: more substantial delegation of authority in operational, administrative and financial matters to line managers; and accountability and performance "contracts" with clear performance expectations for managers and staff. IFAD should further

examine the issue of a visible compliance function. The IFAD9 RMF also needs to be strengthened further and guided by the following principles:(i) increase the specificity and robustness of impact and reach indicators including meaningful monitoring of the target of moving 80 million people out of poverty by 2015; (ii) incorporate a scaling-up indicator for country programmes supported by coverage of key non-lending activities (policy dialogue, partnership building, the grants programme and KM); (iii) sharpen the measures for IFAD's institutional efficiency including measures related to number of outputs; (iv) measure the contribution of IFAD's country offices to its work programme; (v) report consistently on actuals against baselines and planned results and use variances for learning; and (vi) use IOE data where available as the basis for ex post analysis and reporting. More details of the recommended changes to the RMF are found in in the box on page 91.

Concluding thoughts

202. Not all of the recommendations above are individually budget-neutral. Some recommendations involve staffing and organizational changes and some imply additional resources. However, CLE estimates suggest that with a new focus on operational selectivity, there is sufficient budget flexibility (especially if a capital budget is introduced to fund lumpy ICT investments needed to improve long-term administrative efficiency) so that even in a flat-budget scenario, there is room for efficiency gains and reallocations that would allow implementation to start in the current replenishment period. This would require IFAD to exploit strategically the opportunities arising from natural attrition and encouragement of early retirement and to avoid duplications of functions and staffing between country offices and HQ. At the same time, the potential impact of budgetary constraints on IFAD's efficiency, in particular on the efficiency of programmes and programme management, are important. IFAD's Management and the Board will need to take account of the underlying trade-offs and ensure that short-term cost savings do not lead to long-term losses in impact and efficiency.

UGANDA

IFAD-funded project beneficiary works on his five-acre cotton field in Acungkena village, Lira District. Growing cotton to sell for oil production has been very successful for his family.

©IFAD/Robert Grossman

Annexes

1 List of persons met

Bilateral meetings at IFAD

1. Sunil Abishaikh, Consultant for LGS Administration, ICT
2. Richard Aiello, Organizational Change, Learning and Development Team Leader, HRD
3. Brian Baldwin, Senior Operations Management Adviser, PMD
4. Mohamed Beavogui, Director, PRM
5. Willem Bettink, Programme and Change Officer, PMD
6. Tiziana Carpenelli and staff, Travel Manager, ADM
7. Paolo Ciocca, former Secretary of IFAD, IFAD
8. Kevin Cleaver, Associate Vice-President, Programmes, PMD
9. Bambis Constantinides, Director, AUO
10. Eloisa de Villalobos, Technical Adviser, PTA
11. Ides de Willebois, Director, West and Central Africa Division
12. Elizabeth Farmosi, former Operations Adviser, PMD
13. Ruth Farrant, Director and Controller, CFS
14. Charles Forrest, former Counsel, LEG
15. Edward Gallagher, Budget Officer, OPV
16. Michael Gehringer, Director, HRD
17. Prisca Giordani, Records Management Officer, ADM
18. Michael Goon, former interim Head of Corporate Services, CSD
19. Olivia Graham, Ethics Officer
20. Elwyn Grainger-Jones, Director, Environment and Climate Division
21. Kris Hamel, Programme Officer, SKM
22. David Hartcher, Business Analyst, CFS
23. Edward Heinemann, Senior Policy Adviser, PTA
24. Gary Howe, Director, Strategic Planning Division, SPD
25. Sirpa Jarvenpaa, former Director, OPV
26. Etienne Kaisin, former Regional Portfolio Adviser, Head of East and Southern Africa Regional Office, Nairobi
27. Iain Kellet, Associate Vice-President, FOD
28. Shyam Khadka, Senior Portfolio Manager, PMD
29. Henock Kifle, Senior Adviser to President, OPV
30. Paula Kim, Special Adviser to Head, CSD
31. Justin Kouka, former Special Adviser to the VP
32. Janet Kyle, IFAD Job Audit Consultant
33. Luciano Lavizzari, former Director, IOE
34. Sara Di Legami, Travel Department, ADM
35. Rutsel Martha, General Counsel, LEG
36. Sylvie Martin, Assistant to the General Counsel, LEG
37. Shantanu Mathur, Head of Management Support Unit, SKM
38. Andreina Mauro, Manager, Conference Service, SEC
39. Deirdre McGrenra, Head, Governing Bodies Office, SEC
40. Matthias Meyerhans, Director, ADM
41. Madiodio Niasse, Director, International Land Coalition
42. David Nolan, Facilities Management Officer, ADM, and former chair of the Executive Committee of the IFAD Staff Association (ECSA)

43. Kanayo F. Nwanze, President
44. Yukiko Omura, former Vice-President
45. Luis Ortiz, Archives Assistant, ADM
46. Linda Orebi, Budget and HRD Data Team Leader
47. Mattia Prayer-Galletti, Senior Evaluation Officer, IOE
48. Thomas Rath, CPM, Asia and the Pacific Division
49. Theresa Rice, Operational Systems Adviser, PMD, former member of the Executive Committee of the IFAD Staff Association (ECSA)
50. Roxanne Samii, Manager, Web, Knowledge and Distribution Services, COM
51. Tilak Sen, IFAD Budget Adviser (consultant)
52. Carlos Seré, Associate Vice-President, SKM Former Chief Development Strategist and Head of SKM
53. Cheikh Sourang, Senior Programme Manager, SKM
54. Jose Stigliano, Director, ICTD
55. Josephina Stubbs, Director, Latin America and the Caribbean Division
56. Marlene Thorn, HR consultant, HRD
57. Ursula Wieland, Systems Administrator, PMD
58. Cassandra Waldon, Director, COM
59. Hisham Zehni, Strategic Planning Officer, SKM

Representatives of IFAD Governing Bodies

60. Stefania Bazzoni, former Executive Board Director and Audit Committee Chairperson (Italy)
61. Ronald Elkhuizen, former Executive Board Director (the Netherlands)
62. Christine Grieder, Executive Board Director (Switzerland)
63. Bruna Magalhães da Motta, Attaché of the Federative Republic of Brazil to the United Nations Food and Agricultural Agencies in Rome
64. Khalid Mehboob, Adviser, Embassy of Pakistan, Rome
65. Médi Moungui, former Executive Board Director (Cameroon)
66. Liz Nassaku, Executive Board Director (United Kingdom)
67. Yaya Olaniran, Executive Board Director (Nigeria)
68. S.K. Pattanayak, former Evaluation Committee Chairperson and Board member (India)
69. Cláudia Angélica Vasques Silva, First Secretary, Alternate Permanent Representative of the Federative Republic of Brazil to the United Nations Food and Agricultural Agencies in Rome

Focus group meetings

70. CPMs
71. PTA/Environment and Climate Division
72. Professional staff not in PMD
73. GS Staff
74. IOE Staff Focus Group
75. ECSA, Executive Committee of the IFAD Staff Association

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(2004) CLE Supervision Modalities
(2005) CLE Direct Supervision Pilot Programme
(2005) Independent External Evaluation of IFAD (IEE)
(2005) Action Plan for Improving Development Effectiveness
(2006) CLE Regional Strategy APR
(2006) Policy on Supervision and Implementation Support
(2006-2012) Annual Review of Portfolio Performance of Programme Management Divisions
(2006) Progress Report Action Plan
(2006-2012) IFAD/IOE Work Programme and Budget
(2006-2011) President's Report on the Implementation Status of Evaluation Recommendations and Managements Actions (PRISMA)
(2007) CLE Field Presence
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(2007) Guidelines for Quality Enhancement for Project Design
(2007) IFAD Strategic Framework 2007-2010
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(2007) Learning Note on Financial and Economic Analysis for Investment Projects [LN 3.6]
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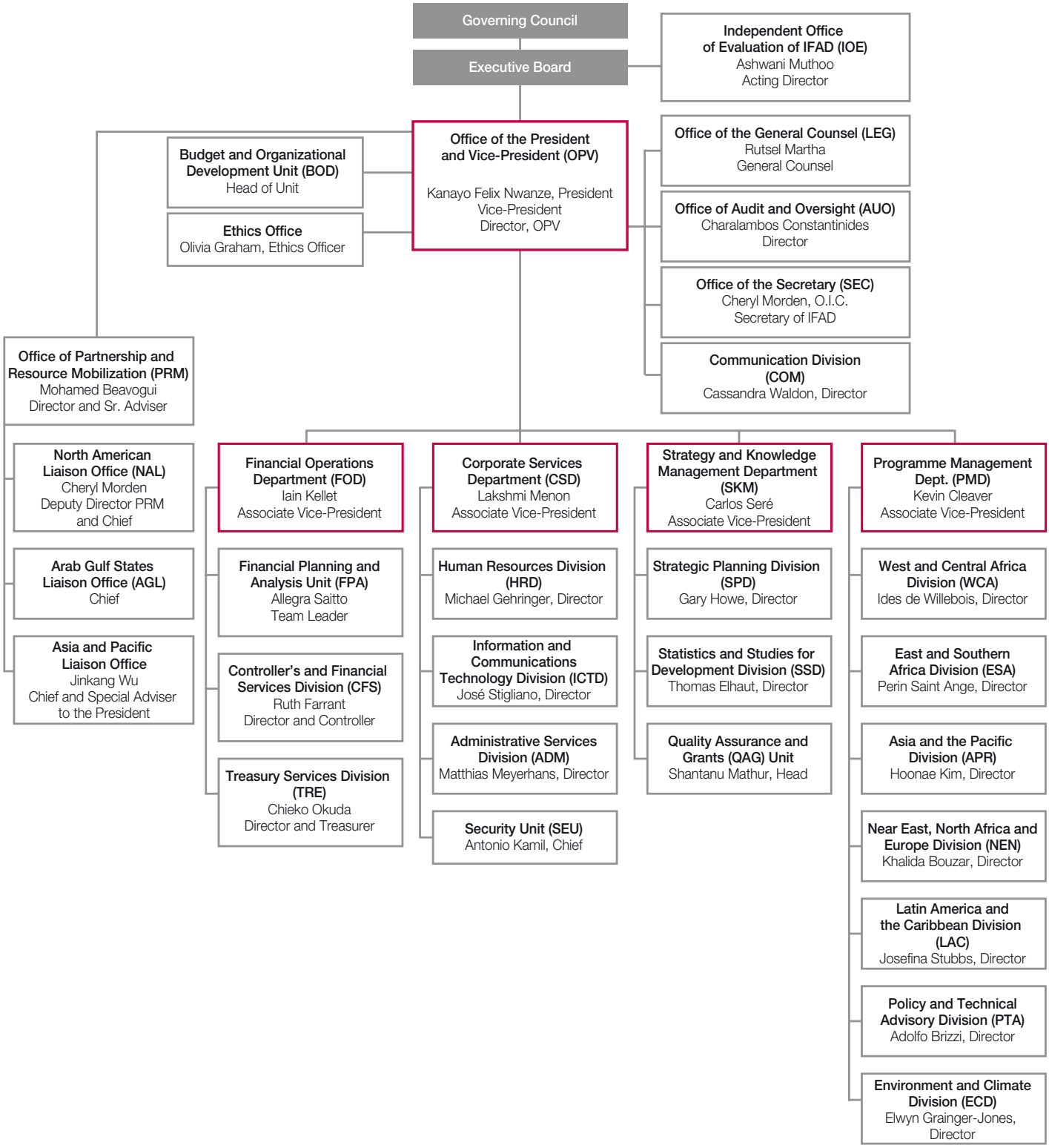
IFAD organizational structure (February 2013)



Note: In principle, all senior management staff at the level of UN Assistant Secretary General and above report to the President. However, the President may designate a member of the Executive Management Committee to provide O&S to departments and/or offices.

Source: IFAD Website

TABLE 1

IFAD at a glance

	2005	2006	2007	2008	2009	2010	2011	2012
Number of loan and DSF grant approvals[a]	31	27	34	29	32	33	34	33
Number of grant approvals[a]	66	109	77	70	99	88	83	88
Value of loan and grant approvals (US$ millions)[a]	536	557	556	593	709	845	998	1 042
Value of loans and DSF grants (US$ millions)[a]	499	515	520	552	662	794	947	968
Value of grants (US$ millions)[a]	37	42	36	41	47	51	50	69
Total programme and project cost[a]	1 028	907	1 215	1 144	1 363	2 427	2 191	2 047
Cofinancing[a]	124	96	425	305	312	677	412	459
Domestic contributions[a]	419	291	274	283	364	934	832	600
Number of approved COSOPs[b]	11	6	15	9	9	6	8	7
Number of IFAD country offices[c]	13	14	14	27	30	30	30	30
Number of effective programmes and projects under implementation	183	187	196	204	219	233	240	255
Number of programmes and projects completed	32	26	25	24	24	20	26	22
Number of programmes and projects in the pipeline	61	56	58	69	65	74	64	79
Number of approved programmes and projects initiated by IFAD	29	25	28	26	26	28	32	32
Number of recipient countries/territories (current portfolio)	88	85	85	88	91	96	97	99
Loan disbursements	344	388	399	434	429	458	550	535
Loan repayments	158	149	175	186	201	274	288	269

Sources:
[a] IFAD Annual Reports
[b] IFAD Executive Board documents
[c] IFAD Country Presence Policy and Strategy (EB 2011/102/R.10/Rev.2)

TABLE 2

Trends in IFAD staffing

Trends in IFAD staffing	2007	2008	2009	2010	2011	2012
Total staff	446	450	454	501	532	575
of which HQ Professional level	202	218	230	248	257	291
of which HQ General Service	226	216	207	204	205	198
of which short-term staff	18	17	17	17	17	16
of which locally recruited field staff				31	52	70
FTE IFAD consultants		211	228	290	302	
PMD Staff	157	168	178	195	272	295
of which HQ Professional level	86	102	110	123	131	150
of which HQ General Service	67	63	62	65	68	75
of which short-term staff	3	3	7	6	7	3
of which locally recruited field staff				31	52	70
FTE PMD consultants		176	192	257	265	
Ratio of PMD Professional staff to consultants		58%	57%	55%	62%	
PMD staff (as percentage of total staff)	35%	37%	39%	39%	51%	51%
Total PMD admin. budget (US$ million)	51	58	61	72	79	81

Note: Staff numbers in IFAD's "Work Programme and Budget" documents are broken down differently in 2005 and 2006, so the division between types of staff is not provided. Data on PMD consultants is only available beginning in 2008.

Source: IFAD Annual Reports; Annual results-based POW and administrative and capital budgets.

4 IFAD and comparator organizations

1. **The purpose of this annex is to compare IFAD to other IFIs by compiling ratings data from several different sources.** Ratings for IFAD, ADB, AfDB, the World Bank, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria are given in the table on page 106.

2. **The data in this annex is compiled from the following studies**: *Quality of ODA* (QuODA), from the Center for Global Development; The Multilateral Organization Performance Assessment Network (MOPAN); United Kingdom Department of International Development (DFID) Multilateral Aid Reviews; *Aid Quality and Donor Rankings* by Knack, Rogers, and Eubank; *Where Does the Money Go? Best and Worst Practices in Foreign Aid* by Easterly and Pfutze.

3. **Most of the ratings systems break down into various dimensions, many of which are shown in the table.** QuODA gives rankings for fostering institutions, reducing burden, transparency and learning, and maximizing efficiency. MOPAN focuses on strategic, operational, relationship and KM. The indicators given in the table from the DFID reports are on organizational strength. The *Aid Quality and Donor Rankings* working paper gives rankings on selectivity, alignment, harmonization and specialization. The ratings from the OECD's *Aid Effectiveness in 2005-10: Progress in Implementing the Paris Declaration* focus on country coordination and lastly, the rankings in the paper *Where Does the Money Go?* concentrate on general best practices for aid agencies. The main dimensions of the ratings from each report are given in this table. Subcategories are also given, where applicable.

4. **IFAD ranks well in absolute terms in some categories.** For example, IFAD scores the best in the "Use of country procurement systems" category in the OECD study on aid effectiveness in 2005-10. IFAD also ranks first in "high country programmable aid share" in the QuODA data. Other portions of the QuODA study rate IFAD well too. IFAD is fourth (second relative to the comparators in the table) in "Focus/Specialization by Recipient Country", and fourth in "Focus/Specialization by Sector". However, IFAD ranks in the middle in most categories. For example, in the "Aid Quality and Donor Rankings" overall scoring, IFAD ranks better than AfDB and the Global Fund, but worse than ADB and the World Bank. In the QuODA study, IFAD ranks poorly in "Fostering Institutions" and "Transparency and Learning", but ranks in the middle in the other dimensions. In the MOPAN study, IFAD is neither the sole leader nor sole laggard in any of the main categories.

5. **IFAD is fourth out of 31 in maximizing efficiency, but low relative to the other IFIs.** QuODA's "Maximizing Efficiency" category broadly defines efficiency as the effect of development assistance on poverty reduction. IFAD ranks fourth, which is high in the field of institutions ranked, but low relative to the other IFIs, since it lags three of them. As for categories that would more closely reflect the CLE's definition of efficiency, IFAD ranks poorly in "Low administrative unit costs" and "Share of allocation to well-governed countries". Easterly and Pfutze give IFAD a rank of 37th out of 39 for fragmentation, which measures the amount of diversity in the destination of aid dollars by country and sector. The authors argue that a high level of fragmentation gives up the benefits of specialization and drives up overhead costs, which are relatively high at IFAD. However, as noted previously, IFAD gets the best ranking in "High country programmable aid share".

6. **IFAD ranks relatively poorly when it comes to keeping down costs.** IFAD ranks 27th out of 39 organizations and countries in minimizing overhead, according to Easterly and Pfutze. They report IFAD's ratio of administrative budget to official development financing as 22 per cent, which is significantly higher than that for ADB, AfDB, and the World Bank, which range from 7 to 12 per cent. IFAD also gets a score of 2 in "Cost and value consciousness" according to DFID, which is a lower score than each of the comparators receives.

7. **IFAD ranks low in terms of its organizational structure.** Relative to the comparators, DFID gives IFAD the lowest score in "Organisational Strengths".

8. **IFAD struggles in transparency ratings.** QuODA gives IFAD a "Transparency and Learning" ranking of 24th out of 31, which is worse than the comparators. IFAD also receives a transparency ranking of 37th out of 39 in "Where Does the Money Go?," which is far worse than its comparator IFIs. It must be noted, however, that DFID gives IFAD a "satisfactory" grade for transparency and accountability.

TABLE

IFAD relative to comparator organizations

QuODA (rankings 1 through 31)	IFAD	ADB	AfDB	World Bank	Global Fund
Fostering institutions	20	6	4	3	9
Reducing burden	7	6	15	3	13
Transparency and learning	24	22	6	1	2
Maximizing efficiency	4	3	2	9	1
Low administrative unit costs	22	12	11	10	1
Share of allocation to well-governed countries	29	24	20	26	18
High country programmable aid share	1	5	3	4	2
Focus/specialization by recipient country	4	2	3	14	8
Focus/specialization by sector	4	2	6	18	1
MOPAN (Inadequate: 1-3.49; adequate: 3.5-4.49; strong or above: 4.5-6)					
Strategic management	4.2	4.3	4.0	4.2	N/A
Operational management	4.0	4.1	4.0	4.4	N/A
Managing HR	3.6	3.3	3.4	4.0	N/A
Delegating decision-making	3.7	3.9	3.5	4.1	N/A
Relationship management	3.9	4.1	3.8	4.0	N/A
Knowledge management	4.2	4.4	4.2	4.5	N/A
DFID 2011 (Unsatisfactory: 1; weak: 2; satisfactory: 3; strong: 4)					
Organizational strengths	2.6	3.2	3.0	2.8	3.0
Financial resources management	2.0	3.0	3.0	3.0	3.0
Cost and value consciousness	2.0	3.0	3.0	3.0	3.0
Likelihood of positive change	2.0	3.0	4.0	3.0	3.0
Aid quality and donor rankings (rankings 1 through 38)					
Overall	7	1	13	2	22
Selectivity	7	2	11	1	27
Alignment	5	2	28	7	14
Harmonization	6	14	26	11	22
Specialization	9	1	5	7	16
OECD: Aid effectiveness in 2005-10					
Strengthen capacity by coordinated support	34%	42%	68%	71%	40%
Use of country public financial management systems	72%	78%	39%	69%	61%
Use of country procurement systems	85%	37%	33%	54%	70%
Reduction in Parallel Implementation Units (% change) 2005-2010	-115%*	95%	65%	80%	100%
Where does the money go? (rankings 1 through 39)					
Average	36	4	3	1	N/A
Aid Shares	7	25	2	3	N/A
Transparency	37	2	4	1	N/A
Overhead	27	17	18	9	N/A
Ratio of administrative budget to ODF	22%	8%	12%	7%	N/A
Fragmentation	37	10	21	20	N/A

Note: AfDB and World Bank scores have been rescaled to be comparable with IFAD and ADB.

* Indicates increase in number of units in the case of IFAD.

Sources: QuODA Second Edition Data. Center for Global Development. MOPAN Common Approach Papers. MOPAN. DFID Multilateral Aid Reviews. DFID, 2011. *Aid Quality and Donor Rankings*, Knack, Stephen, F. Halsey Rogers, and Nicholas Eubank, World Bank. 10 May 2010. *Aid Effectiveness in 2005-10: Progress in Implementing the Paris Declaration*, OECD. Easterly, William, and Tobias Pfutze. *Where Does the Money Go? Best and Worst Practices in Foreign Aid*, Brookings Global Economy and Development. June 2008.

TABLE

PMD staff by division

Division	Year							
	2005	2006	2007	2008	2009	2010	2011	2012
PMD front office	12	13	12	11	11	10	9	13
Policy and Technical Advisory	19	20	19	22	25	28	34	36
West and Central Africa	18	30	27	29	29	32	49	54
East and Southern Africa	18	22	26	30	31	37	59	57
Asia and the Pacific	17	27	25	28	33	33	52	58
Latin America and the Caribbean	15	19	23	25	24	24	28	27
Near East, North Africa and Europe	14	22	21	25	24	26	34	36
Environment and Climate	0	0	4	0	2	5	7	13
Grand Total	113	153	157	169	178	195	272	295

Source: IFAD Annual Reports; annual results-based POW and administrative and capital budgets.

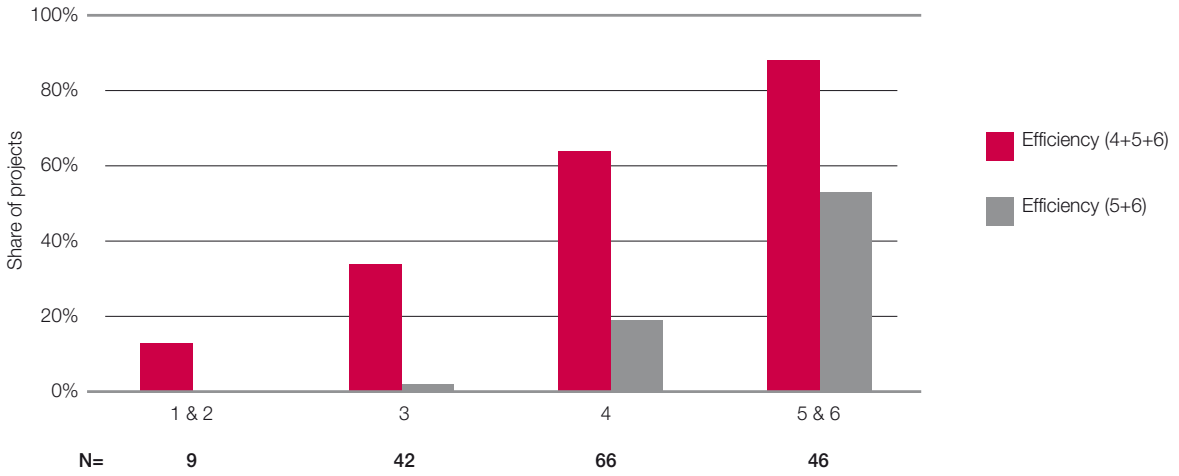
6 Country context and processes: Implications for IFAD's institutional and programme efficiencies

Context and objectives

1. Past IOE evaluations indicate strong correlations between government performance and project efficiency (figure 1). For projects where government performance was unsatisfactory (ratings of 1 or 2), none of the projects was rated fully satisfactory for project efficiency, and only 14 per cent of the cohort was rated moderately satisfactory. In contrast, for projects where the government performance was judged to be satisfactory or better (ratings of 5 or 6), efficiency was satisfactory for close to half of the cohort, with an additional 35 per cent rated moderately satisfactory.

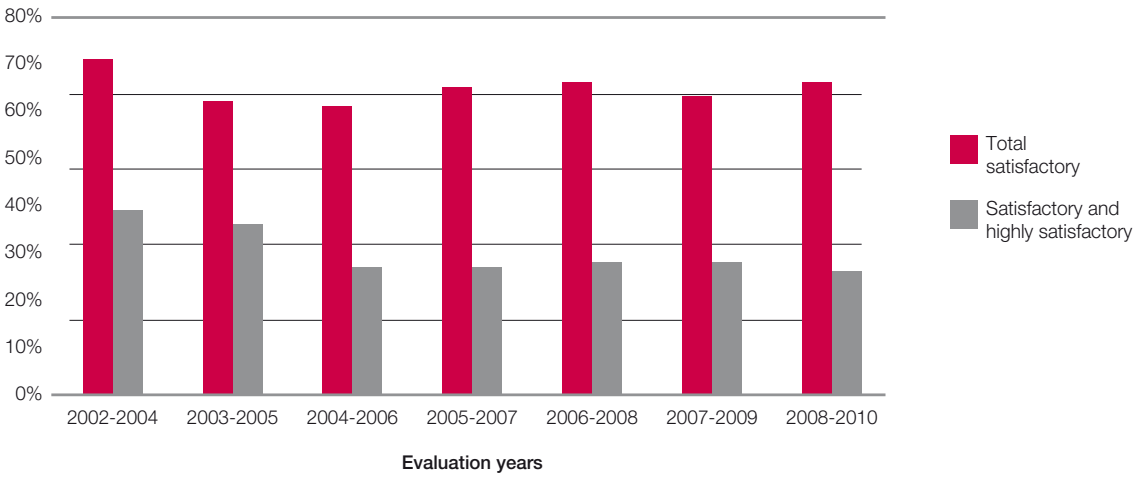
2. IOE evaluations also suggest that government performance has a significant bearing on IFAD's own institutional efficiency, i.e. the efficiency with which IFAD uses its administrative budget to deliver its services to the clients. For example, limited government capacities for project preparation and implementation lead to not only lower project efficiency due to poor designs and implementation delays, but they also increase the level of effort required from IFAD during the project cycle, thereby increasing IFAD's administrative costs and lowering its institutional efficiency.

FIGURE 1



Source: IOE's ARRI database.

FIGURE 2



Source: IOE's ARRI database.

3. Of particular concern in this context are the evaluation findings that government performance in IFAD-supported projects has been weak and has shown no discernible improvements over the past decade (figure 2). Over a third of the evaluated projects have suffered from government performance in the unsatisfactory range, and for only a quarter of the projects was the government performance considered fully satisfactory. Only four of the 169 evaluated projects received a highly satisfactory rating for the government performance.

4. Some of the direct manifestations of weak government performance as reported in IOE evaluations include:
   (i) Protracted time period for project preparation and approval;
   (ii) Long delays between project approval and effectiveness;
   (iii) Long delays in project implementation due to:
      – Delays in appointment of key staff
      – High turnover of key staff
      – Slow resolution of implementation problems
      – Inadequate provision of counterpart funds
      – Delays in managing project-related procurement;
   (iv) Non-compliance with loan covenants;
   (v) Inadequate fiduciary controls;
   (vi) Inadequate M&E arrangements;
   (vii) High level of project management costs;
   (viii) Cost overruns; and
   (ix) Shortfalls in anticipated benefits.

5. A key objective of this efficiency CLE is to better understand the nature of the issues underlying weak government performance and their implications for IFAD's programme and institutional efficiencies. To that end, five countries – Honduras, India, Mali, the United Republic of Tanzania and Uganda – were selected by IOE for in-depth country case studies by five seasoned development professionals with intimate knowledge of the respective country contexts and processes.[154] Specific objectives of the country case studies were to:
   (i) Identify and prioritize government processes with significant implications for the efficiency of IFAD-supported projects and programmes and for IFAD's own institutional efficiency;
   (ii) Assess the extent to which the above problems are systemic issues which also affect portfolios of other partners;
   (iii) Examine scope for adaptation of IFAD's own operational processes to help mitigate and/or reduce the adverse impact of government processes; and
   (iv) Solicit feedback from IFAD's clients and partners on IFAD's performance in the design and delivery of its respective country programmes and how IFAD could better serve its clients.

Case study approach and limitations

6. Launch of the country case studies followed a two-day workshop in Rome attended by the five country experts and the core CLE team to develop a shared understanding of the objectives, focus and approach of the country case studies. Based on discussions during the workshop and with guidance from IOE Management, the evaluation team decided to focus the country case studies on government processes in the following five areas:
   (i) **Providing strategic guidance for and oversight of COSOPs**
      – Clarity and coherence of government's guidance on objectives and priorities for IFAD support – analytical underpinning for COSOPs, specificity in articulating government objectives, programmatic coherence and synergies embedded in government policies;
      – COSOP ownership and programme volatility – credibility and standing of the main interlocutors from the client side, breadth of ownership among key stakeholders, institutionalization of COSOP processes, continuity in client's COSOP-related objectives and approaches over time;
      – Unique country contextual factors (e.g. country preference for locating IFAD-supported projects in civil-strife affected areas); and
      – COSOP M&E by government.
   (ii) **Government contributions towards project preparation and design**
      – Analytical underpinnings for guiding project design (quality of country sector knowledge, quality of relevant databases, lessons of experience);
      – Client contributions towards project preparation:
      – Client attention to ownership, sustainability and scaling up;
      – Client processes for ensuring readiness for implementation;
      – Client guidance on cofinancing and aid coordination; and
      – Client's project approval and ratification processes.

[154] Ernst Schaltegger, Wilfred Ngirwa, Seydou Traoré, Govindan Nair, and Orlando Garner.

(iii) **Government capacity for managing project implementation**
- Mechanisms for providing strategic guidance and oversight to implementing agencies and assuring inter-agency coordination (e.g. steering committees);
- Practices vis-à-vis use and functioning of PMUs/PIUs and their implications for efficient implementation, overhead costs and post-implementation sustainability;
- Fiduciary processes and practices (procurement, accounting auditing, budget planning, release of funds);
- Processes for appointment and retention of key project staff;
- Processes to facilitate coordination with other cofinanciers; and
- Monitoring and follow-up (processes for periodic monitoring, MTRs, project restructuring, extensions and cancellations).

(iv) **Client attention to KM and policy dialogue**
- Mechanisms for learning lessons and sharing knowledge across regions, different levels of government and among donors;
- Focus on innovation, scaling up and replication; and
- Client receptivity to policy dialogue.

(v) **Client role in grant selection, design and follow-up**
- Client involvement in grant selection and design; and
- Client involvement in grant implementation and follow up.

7. Besides reviews of key relevant documents,[155] the case studies included semi-structured interviews with CPMs and ICO staff, concerned government representatives, project managers and staff, in-country civil society organizations' representatives associated with IFAD projects, and representatives of other IFIs and development partners located in the field. Where appropriate and feasible, the case studies also included field visits to selected project sites to solicit beneficiary feedback and suggestions.

8. A custom-built structured instrument was employed to capture judgments emerging from the case studies. The instrument used a four-point rating scale[156] to assess implications of various government "processes" for IFAD's institutional efficiency as well as for the efficiency of IFAD-supported development programmes in the country (annex 7).

9. In addition, based on their documentary reviews as well as feedback from government and partner representatives and project management staff, country experts provided judgments on IFAD's own performance in design and delivery of its country programme. This included, inter alia, feedback on:
(i) Cost and value-added of COSOPs and the underlying processes;
(ii) Value added by IFAD staff – CPMs and others – during design and implementation;
(iii) Credibility and usefulness of consultants retained by IFAD during project preparation;
(iv) Attention paid by IFAD to tailoring project designs to client' implementation capacities;
(v) Readiness for implementation at approval of IFAD-supported projects;
(vi) Timely responses from IFAD on procurement and disbursement matters;
(vii) Quality of implementation support and advice provided by IFAD; and
(viii) Functioning and impact of IFAD's country offices (where relevant).

10. To maintain reasonable comparability with IOE's evaluative data on IFAD performance, a six-point scale (ranging from highly satisfactory to highly unsatisfactory) was employed in rating IFAD's performance in each of the five countries.

11. Preliminary findings from the country case studies were discussed during a two-day workshop in Washington, D.C. to assure cross-country comparability of the reported findings and to identify cross-cutting themes and issues. The findings below reflect refinements to both the case study methodology and further reflections by the case study consultants in light of the discussion during the workshop.

[155] COSOP; latest COSOP implementation report; President Report and two latest PSRs for selected projects; CPE, if available; latest ARRI and PMD ARPP; concerned divisional ARPP; PTA ARPP; two most recent PCRs and PCRVs, if done within last five years; the most recent two ongoing grants report, where applicable.

[156] 1 = Significant adverse impact; 2 = Moderate adverse impact; 3 = Neutral to insignificant impact; 4 = Moderate positive impact

12. In interpreting the findings emerging from the case studies, it is important to keep in mind that while the five countries chosen for the case studies are fairly diverse in terms of the county contexts and the size and contents of IFAD support to them, they are not necessarily representative of the IFAD clientele as a whole. Accordingly, the findings from these case studies should be treated only as illustrative and may not be applicable to the IFAD programmes as a whole. Also, despite concerted efforts to systematize the study methodology and assure uniformity in benchmarking of results among the five country studies, there is an unavoidable element of subjective judgments inherent in the case study approach. That again calls for caution since the reliability of the findings could be a potential issue.

Main findings

Implications of country context and processes for IFAD efficiency

Providing strategic guidance for and oversight of COSOPs

13. In most cases, clients provided clear guidance on COSOP objectives and priorities and the COSOP preparation often benefited from availability of country's own poverty reduction strategies. Client objectives for COSOPs were generally consistent with IFAD's mandate of targeting the hard-to-reach rural poor (e.g. indigenous groups in challenging areas of central India). However, guidance on delivery modalities was not always clear and coherent (e.g. use of SWAPs vs. stand-alone projects in the United Republic of Tanzania). Pressures to expand geographical coverage of IFAD-supported programmes due to political considerations added to IFAD's delivery costs and diluted the impact of its programmes in some cases (Uganda, United Republic of Tanzania).

14. IFAD had good access to senior decision-makers in client countries but often COSOP ownership was narrow due to limited engagement by other key stakeholders in programme formulation (India, Honduras). Also in some cases, COSOP dialog was driven by personalities and ownership was not institutionalized – leading to potentially disruptive changes in objectives and approaches over time.

15. In some cases, country-specific contextual factors significantly complicated delivery and effectiveness of COSOP programmes (e.g. India programme targeted at hard-to-reach tribal populations in remote areas with weak institutions; use of different implementation modalities in Zanzibar compared to those for mainland Tanzania; concentration of IFAD's Mali programme in areas affected by civil strife; Honduras' policies on concessionality in externally financed projects leading to unraveling of agreed project financing plans).

16. Many countries lacked mechanisms for monitoring COSOP implementation and for systematic capture of lessons. Monitoring was often limited to monitoring of individual projects rather than the programmes as a whole. The United Republic of Tanzania was a notable exception in this respect benefitting from a proactive posture by the Government in aid coordination and oversight.

Contributions to project preparation and designs

17. Available sector knowledge was often inadequate and databases often poor, necessitating additional surveys and studies for defining sector approaches as well as project scope and designs.

18. Client capacity to prepare projects was weak and even where it existed (e.g. India), the clients took a hands-off approach, putting the entire onus of project preparation on IFAD. Lack of direct client involvement in project preparation and design meant dilution of ownership, inadequate attention to realism of project objectives and designs, and concerns about financial and institutional sustainability.

19. Clients were open to IFAD working with CSOs and beneficiary organizations in project design and implementation and that provided a conducive environment for social and organizational innovations in IFAD-supported projects.

20. Many projects were not ready for implementation at approval leading to implementation delays and cost overruns. Client capacity for assuring quality at entry was weak in most cases, putting a premium on IFAD's own QA processes.

21. Process alignment with other cofinanciers added to IFAD's administrative costs but also contributed to expanded leverage and potential impact for IFAD-supported projects (Honduras, United Republic of Tanzania).

22. Experience with project approval and ratification processes was mixed, but performance seemed to be improving (e.g. simplification of ratification process in Honduras). Poorly thought through project designs were sometimes an important reason for delays in ratification (United Republic of Tanzania ASDP).

Government capacity for managing project implementation

23. Use of PMUs/PIUs appeared to be the norm and functioned well for managing project implementation especially for projects located in remote areas. However, heavy costs associated with many PMUs as well as their post-implementation sustainability were issues bearing on programme efficiency and effectiveness over the longer-term. Mechanisms for strategic guidance, troubleshooting and oversight through steering committees appeared to function reasonably well all around.

24. Weaknesses in client capacity for fiduciary aspects, as well as complex accounting and procurement procedures, added to IFAD administrative costs and contributed to delays to project implementation. Timely release of counterpart funds was also a problem in some cases (United Republic of Tanzania).

25. Surprisingly, appointment and turnover in key project staff were not seen as an important issue in most countries. India was a notable exception in that respect where politically driven appointments and transfers were often a major obstacle to efficient project implementation.

26. Joint supervision with other cofinanciers was helpful in partially defraying IFAD's project supervision costs while improving potential for scaling up through partner resources. However that also meant higher administrative costs to IFAD for aid coordination.

27. Progress reporting by clients needed to be more user-friendly and timely in reporting on emerging issues and problems (Mali). Quality of and follow-up on Government-prepared MTRs were uneven (United Republic of Tanzania). Decision making concerning project restructuring, extension and cancellations was also problematic in some cases (Honduras).

Attention to KM and policy dialogue

28. Despite lack of conscious efforts by governments, lessons from IFAD-supported programmes were being learnt and reflected in future projects. Many clients showed receptivity to scaling up of promising ideas emerging out of IFAD projects. Governments were also open to policy dialogue based on lessons emerging from IFAD-supported projects. In India, for example, as state governments observed the impact of IFAD-supported projects aimed at tribal development and women's empowerment, they responded by adopting policies and issuing directives and guidelines to replicate and deepen the IFAD-supported models. IOE's evaluations, especially CPEs, appeared to be playing an important role in extracting and disseminating lessons. However, many clients and partners would like IFAD to be even more proactive in this respect. IFAD would also need to be better prepared to effectively undertake policy dialogue.

Grant selection, design and follow-up

29. Client attention to the grants programme (especially of the regional/global grants) was very low. Implementation was often unsupervised and unmonitored. The lack of client interest reflected in part small size of many grants and their inadequate integration into the COSOPs.

Client/partner feedback on IFAD performance

30. **COSOP design** (moderately satisfactory). COSOPs are seen as valuable documents, and usually conform to national priorities. However, when timing is out of sync with preparation of government strategy and PRSP, this can increase costs for all concerned. COSOPs suffer when consultation is not broad enough to ensure ownership (Honduras, India). In some cases (Mali), the COSOP quality also suffers because IFAD consultants lack knowledge of country strategies (Mali).

31. **Project concept, design and approval** (moderately satisfactory). Projects are seen as well-targeted, incorporating lessons of past projects as well as attention to scaling up. However, client capacities are often misjudged (Uganda, India) and projects can be overly complex (United Republic of Tanzania, Uganda). Projects are also not ready for implementation at approval.

32. **Project implementation support, MTRs and restructuring** (moderately satisfactory). DSIS is seen as clearly a positive development, although sometimes supervision can be done mechanically (Mali), and supervision missions may seem large and inefficient (United Republic of Tanzania). Lack of provision of effective capacity building is often a hindrance (Uganda, Honduras).

33. **Grants approval and supervision** (moderately satisfactory). IFAD's performance on grants depends strongly on whether the grants are integrated into the country programme. This is the case in Uganda, Honduras, and the United Republic of Tanzania, but not the case in Mali and India. Where grants are not integrated into country programme, implementation is often unsupervised and unmonitored (especially global and regional grants).

34. **Knowledge management** (moderately satisfactory). IFAD typically participates in multi-donor fora and usually focuses on lessons from its own programmes. There is systematic sharing in Mali and Uganda. Its website is useful. IFAD is not adequately staffed for meaningful policy dialogue. Policy dialogue is sometimes ad hoc (United Republic of Tanzania).

35. **Country office establishment** (moderately satisfactory – where they exist). Country presence has benefitted supervision and policy dialogue. Unclear delegation of authority between headquarters and field offices is a problem (United Republic of Tanzania). Strong client interest in out-posting of CPMs (Uganda, India).

Summary, conclusions, and recommendations

36. The country case studies confirm the prevailing view that client contexts and processes are adversely affecting IFAD's programme and institutional efficiencies. The studies suggest however that excepting in a few areas, the overall impact is rather modest and not materially different from that for the programmes of the other IFIs.

37. Weaknesses in client capacity for project preparation and a culture of dependence on IFAD for project preparation is by far the most important client process affecting IFAD's efficiency. Besides significant additional costs to IFAD for programme delivery, it also means dilution in project quality due to underprepared projects that are slow to take off after approval. The problem is by no means unique to IFAD and most other IFIs face the same problems in developing their own pipelines. However, unlike other IFIs, IFAD does not have a supplementary source of funding for project preparation, thus putting extra pressures on IFAD's own administrative budget. In addition to encouraging greater client participation in project preparation, IFAD needs to help mobilize supplementary funding for governments to assure that the IFAD-supported projects are adequately prepared and ready for implementation at approval. IFAD also needs to pay more attention to ensuring that project objectives and design are realistic, since client processes for doing so are weak or non-existent.

38. Without question, the challenging nature of objectives assigned to IFAD in many countries also mean significantly higher costs to IFAD for programme delivery as well as higher risks to outcomes of IFAD-supported projects. To an extent, this is an issue unique to IFAD. Arguably however, it is integral to IFAD's own mission and mandate and not driven by the client processes per se.

39. The COSOP-related client processes also have adverse impacts on IFAD's institutional and programme efficiencies, but only modestly. IFAD could ameliorate some of those impacts by encouraging broader consultations during the COSOP formulation, aligning the process with national planning exercises, greater customization of COSOP designs, and more attention to systematic monitoring of COSOP implementation and, where necessary, updates and revisions.

40. Lack of readiness at approval and weaknesses in implementation and fiduciary capacity on the client side mean slippages in project implementation schedules, increase in overhead costs and significant cancellations of loan amounts. The use of PMUs is helping overcome immediate capacity constraints, but in many cases at the cost of programme efficiency and longer-term sustainability. The expanded country presence and the DSIS are considered as positive steps towards strengthening IFAD support for implementation and strengthening relevant client capacities, in particular for M&E.

41. Clients and partners are receptive to IFAD's non-lending services and there are several examples of replication and scaling up of innovations demonstrated in IFAD projects. In the absence of coherent platforms, opportunities exist for improving IFAD's programme efficiency through greater attention to KM, policy dialogue and replication of successful innovations.

42. The grants programme is poorly integrated into the COSOPs and receives very little attention from clients; there appears to be significant scope for improving IFAD's institutional and programme efficiency through stronger ownership and better management of the grants programme.

7 Summary of government processes

TABLE 1

Country context and processes: Implications for IFAD's efficiency – Results from country case studies

Client processes
1. Strategic guidance/oversight of COSOPs
1.1 Coherence and clarity of guidance on objectives and priorities
Defining mandate/focus of activity in country
Analytical underpinning, e.g. PRSP, sectoral knowledge, CPE
Processes for ensuring coherence of COSOP
1.2 COSOP ownership and programme volatility
Creating ownerships – level of dialogue, breadth of ownership, institutionalization
Policy volatility and counterpart continuity
1.3 Programme monitoring and evaluation
1.4 Country contextual factors
2. Contributions to project preparation and designs
2.1 Analytical underpinning (availability of data/analysis/lessons from past projects)
2.2 Contribution to project preparation
2.3 Attention to ownership, sustainability and scaling up
Leadership/guidance and ownership vis-a-vis project design
Ensuring participation of stakeholders, Use of local HR/capacity
Local capacity to implement
Building in of exit strategy
2.4 Ensuring readiness and realism
Ensuring readiness
Clarity of simplicity and realism of design
2.5 Cofinancing
2.6 Approval process

Institutional efficiency						Impact on IFAD Programme efficiency					
India	Mali	Uganda	Honduras	United Republic of Tanzania	Average	India	Mali	Uganda	Honduras	United Republic of Tanzania	Average
2.3	2.3	2.5	2.0	2.8	2.4	2.3	2.0	2.8	2.0	3.0	2.4
3	4	3	3	3	3.2	3	3	4	3	3	3.2
4	3	3	3	3	3.2	4	4	3	3	3	3.4
3	4	4	3	2	3.2	3	3	3	3	3	3
3	4	3	4	3	3.4	3	3	3	4	3	3.2
2	2	2	2	3	2.2	2	2	2	2	3	2.2
2	1	3	2	3	2.2	2	2	3	2	3	2.4
3	2	1	2	2	2	3	2	1	2	2	2
3	2	2	2	4	2.6	3	2	2	2	4	2.6
1	1	3	1	1	1.4	1	1	3	1	2	1.6
1.8	1.7	2.2	2.2	2.2	2.0	1.6	2.2	2.5	2.3	2.2	2.2
3	2	3	2	2	2.4	2	3	3	2	2	2.4
1	1	1	1	1	1	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2
1	2	2	2	2	1.8	1	2	2	2	2	1.8
1	2	3	3	2	2.2	1	2	3	3	2	2.2
2	3	2	3	3	2.6	2	3	2	3	2	2.4
2	2	2	2	2	2	2	2	2	2	3	2.2
1	2	1	2	2	1.6	1	2	1	2	2	1.6
1	2	1	1	2	1.4	1	2	2	1	2	1.6
2	2	2	2	2	2	2	2	2	2	2	2
N/A	2	3	2	3	2.5	N/A	3	3	2	2	2.5
2	1	3	4	3	2.6	1	1	4	4	3	2.6

TABLE 1 (CONTINUED)

Country context and processes: Implications for IFAD's efficiency – Results from country case studies

Client processes
3. Project Implementation
3.1 Mechanisms for providing strategic guidance
3.2 PMUs/project coordination units (autonomy, cost, level of sustainability)
Implementation capacity
PMUs/project coordination units – level of autonomy
PMU cost
Institutional sustainability
3.3 Fiduciary processes and practices
Government processes/practices – procurement, accounting, auditing, counterpart funding
Release of funds
Project budget planning process
3.4 Appointment and retention of staff
3.5 Cofinancing and partnership
3.6 Processes for monitoring and follow-up
Quality of MTRs and follow-up
Monitoring and follow-up
Processes for deciding on restructuring, extensions cancellation
4. Processes for KM and policy dialogue
4.1 Mechanisms for learning lessons and sharing knowledge
4.2 Focus on innovation, scaling-up and replication
4.3 Government openness to policy dialogue
5. Grant selection, design and follow-up
5.1 Client involvement in grant selection and design
5.2 Client involvement in implementation monitoring and follow up
Country averages
Country averages
Overall average of five countries

1 - Significant adverse impact
2 - Moderate adverse impact
3 - Neutral to insignificant impact
4 - Moderate to positive impact

Institutional efficiency						Impact on IFAD Programme efficiency					
India	Mali	Uganda	Honduras	United Republic of Tanzania	Average	India	Mali	Uganda	Honduras	United Republic of Tanzania	Average
2.5	3.0	2.7	2.5	3.0	2.7	2.2	2.8	2.8	2.7	2.7	2.6
3	3	3	3	3	3	2	3	3	3	3	2.8
2	3	3	3	3	2.8	2	3	4	3	3	3
3	3	3	2	3	2.8	3	3	3	2	3	2.8
3	3	3	3	3	3	3	3	4	4	3	3.4
2	3	3	2	3	2.6	2	3	2	2	3	2.5
2	2	2	3	3	2.4	2	2	2	2	3	2.2
3	3	3	2	3	2.8	2	2	3	3	2	2.4
3	2	3	3	2	2.6	2	2	3	3	2	2.4
3	3	4	3	2	3	2	2	4	2	2	2.4
4	3	3	3	3	3.2	3	3	3	3	3	3
1	4	3	3	3	2.8	1	4	3	3	3	2.8
3	3	2	1	3	2.4	3	3	2	1	2	2.2
3	2	2	3	3	2.6	3	2	2	3	3	2.6
3	2	3	3	3	2.8	3	2	3	3	2	2.6
3	2	2	3	3	2.6	3	2	2	3	3	2.6
3	2	2	2	3	2.4	3	3	2	2	3	2.6
2.3	3.0	2.7	3.3	3.3	2.9	2.3	3.0	3.0	3.3	3.3	3.0
2	2	2	3	3	2.4	2	2	2	3	3	2.4
3	3	3	4	3	3.2	3	3	4	4	3	3.4
2	4	3	3	4	3.2	2	4	3	3	4	3.2
1	1	2	2	2	1.6	1	2	2	2	2	1.8
1	1	2	2	2	1.6	1	2	2	2	2	1.8
1	1	2	2	2	1.6	1	2	2	2	2	1.8
2.0	2.2	2.4	2.4	2.7	2.3	1.9	2.4	2.6	2.5	2.6	2.4
					2.3						2.4
											2.4

TABLE 2

Country context and processes: Implications for IFAD's efficiency – Results from country case studies

	Consultant ratings of IFAD performance - Country				
Process	Mali	India	Uganda	Honduras	United Republic of Tanzania
1. COSOP preparation and monitoring	Satisfactory	Moderately satisfactory	Moderately unsatisfactory	Moderately satisfactory	Moderately satisfactory
2. Project concept, design and approval	Satisfactory	Moderately satisfactory	Moderately satisfactory	Moderately satisfactory	Moderately satisfactory
3. Project implementation support, MTRs and restructuring	Moderately satisfactory	Satisfactory	Moderately satisfactory	Moderately satisfactory	Moderately satisfactory
4. Grants approval and supervision	Unsatisfactory	Unsatisfactory	Satisfactory	Satisfactory	Satisfactory
5. Knowledge management and policy dialogue	Satisfactory	Moderately unsatisfactory	Satisfactory	Moderately satisfactory	Moderately unsatisfactory
6. Functioning of country office	N/A	Moderately satisfactory	Satisfactory	N/A	Moderately satisfactory

8 Oversight and support units – supporting annex

Comparison of units' shares of total budget – IFAD and comparator institutions

Note: In the tables below, the budget shares for UNDP and UNICEF are based on total budgets that include trust funds and other extra-budgetary resources, as these funds constitute a significant proportion of O&S units' budgets (UNDP), or are not shown separately from regular resources in the total budget (UNICEF).

TABLE 1

Corporate Services Support Group

	IFAD	AfDB	ADB	IDB	WB	FAO	UNDP	UNICEF	WFP	GF
AUO	1.2	1.6	1.3	1.4	0.9	0.9	2.1	2.3[a]	3.2	4.2
LEG	2.1	2.1	2.4	1.7	1.4	0.9	[b]	[b]	1.4	
SEC (excl. Boards)[c]	5.7	1.9	1.2	2.0	0.6	2.8			1.9	
Memo Boards	-	5.8	5.0	4.3	2.9	-	[d]	[d]	-	[d]
COM[e]	3.8	1.1	2.2	1.6	1.2	3.8	4.0[f]	6.7[f]	7.1[g]	9.2[h]
Total CSSG (excl. Boards)	12.8	6.7	7.1	6.7	4.1	8.4	6.1	9.0	13.6	13.4

Note: Responses given in percentages.

Notes on organizational differences that affect comparability:

[a] Includes the budget of UNICEF's Evaluation Office; therefore, the budget share is not comparable with that of AUO.

[b] In UNDP and UNICEF, LEG is part of the following cluster: Corporate financial, ICT, procurement, legal and administrative management. The budget share of this cluster is shown in table 2-FOD.

[c] All comparator MDBs have resident boards, and the full costs of board members' offices are included in their administrative budgets.

[d] UNDP, UNICEF and the Global Fund do not disclose the cost of their EB secretariat functions in their budget papers.

[e] Includes the budgets of units with external and internal communications functions. In some institutions, these functions are performed by their external relations departments.

[f] Represents the budget share of UNDP and UNICEF clusters: Corporate external relations and partnerships, communications and resources mobilization.

[g] Represents the combined budget share of WFP's following divisions: Communications, Public Policy and Private Partnerships; Office of ASG, External Relations; and Multilateral and NGO Relations Division.

[h] Represents the budget share of GF's External Relations, Partnerships and Resource Mobilization.

TABLE 2

Financial Operations Department

	IFAD	AfDB	ADB	IDB	WB	FAO	UNDP	UNICEF	WFP	GF
BUD	0.4	1.1	4.0[a]	4.1[b]	0.7[c]	1.1[d]			2.6	
CFS	3.8[e]	2.8	2.5	3.4[f]	1.8	1.8[g]			3.2[f]	
TRE	1.4	1.7	2.6	[e]	2.6	[f]			[e]	
Front Office	0.4	2.8[h]	[b]	0.2[i]	1.2	0.1[i]			1.8	
Total FOD	6.0	8.4	9.1	7.7	6.3	3.0	18.1[j]	16.5[j]	7.6	3.4[h]

Note: Responses given in percentages.

Notes on organizational differences that affect comparability:

[a] In ADB, the budget and HR functions are combined in a single department and, therefore, this percentage is not fully comparable with those of other IFIs. Data for the budget of the Front Office is not available.

[b] In IDB, the budget and administrative services functions are combined in a single department and therefore this percentage is not fully comparable with those of other IFIs.

[c] Represents the budget of World Bank's Corporate Finance and Credit Risk Vice-Presidency, which includes the budget function. Further breakdown of this budget is not available.

[d] Represents the budget share of FAO's Office of Strategy, Planning and Resources Management.

[e] FOD budget excludes the budget for PMD's FM staff and consultants who were transferred to CFS, effective 1January 2012. Information provided by FOD's Budget Unit indicated that the transfer of these staff and consultants led to a budget transfer of US$1.5 million from PMD to CFS.

[f] In IDB and WFP, the controller and treasury functions are combined in a single department and therefore, this percentage is not fully comparable with those of the other institutions.

[g] FAO has a Finance Division, which is assumed to have functions similar to CFS and TRE.

[h] Includes the budget of AfDB's corporate finance and risk management function.

[i] In IDB and FAO, a single front office covers finance and administration.

[j] Represents cost of the following 'clusters' in UNDP and UNICEF: Corporate financial, ICT, procurement, legal and administrative management. Therefore, these shares are not comparable with that of FOD.

[k] Global Fund budget includes only a total figure for the finance function.

TABLE 3

Corporate Services Department

	IFAD	AfDB	ADB	IDB	WB	FAO	UNDP	UNICEF	WFP	GF
ADM	7.9[a]	4.4[b]	2.6	4.1[c]	5.7	4.8	3.8[d]	2.9[d]	6.4	
HRD	3.9	2.6	4.0[e]	1.8	2.6	3.3	7.2	7.2	5.6	
ICTD	4.7	3.7	2.6	5.5	2.5	5.4	[d]	[d]	8.4	
Front Office	0.6	0.6	[e]	0.2[f]		0.6				
Total CSD	17.1	11.3	9.2	11.6	10.8	14.1	11.0[d]	10.1[d]	20.4	20.1[g]

Note: Responses given in percentages.

Notes on organizational differences that affect comparability:

[a] ADM's percentage includes the budget of the Security Unit, to allow comparability with other organizations. Excluding the Security Unit's budget, ADM budget is 6.4 per cent of IFAD's administrative budget.

[b] Includes the cost of language services. In IFAD, the bulk of translation and interpretation costs are included in SEC, under CSSG.

[c] In IDB, the budget and administrative services functions are combined in a single department and therefore this percentage is not fully comparable with those of other IFIs.

[d] Includes cost of security only. In UNDP and UNICEF, the costs of CSD functions other than Security and HR are included in the following cluster (shown in Table 2 - FOD): Corporate financial, ICTD, procurement, legal and administrative management. Total percentages include HR and Security only and therefore are not comparable with CSD.

[e] In ADB, the budget and HR functions are combined in a single department and, therefore, this percentage is not fully comparable with those of other IFIs. Data for the budget of the Front Office is not available.

[f] In IDB, a single front office covers finance and administration.

[g] Budget share of following functions in GF: HR, information systems and support, administration, contracting, internal communication and legal. Therefore, the percentage is not comparable with that of CSD.

Key performance indicators

1. The important findings on performance indicators from the CLE survey of non-PMD managers were the following:
   (i) Between 60 and 80 per cent of respondents agreed (ratings of partially agree or agree) that the performance indicators and targets used to measure and monitor their departmental/divisional performance were specific, measurable, achievable, realistic, and cover a defined timeframe for monitoring and reporting.
   (ii) But only one-third agreed that their departmental/divisional performance indicators were helping them to manage their units and achieve IFAD's strategic priorities.
   (iii) The disparity between the two sets of ratings shows that while managers regard the indicators to be properly designed, they do not find the ratings useful for their decision-making.

2. The following table presents some illustrative examples of performance indicators in the MTP and the CLE's classification of the indicators by output/outcome and measurable/non-measurable. Following the table, the MTP indicators are further discussed below.

Oversight units

3. The measures of success (i.e. performance indicators) listed for AUO in the MTP are outcome indicators, related to the timeliness and relevance of audits and investigations; preparation of a risk-based annual workplan; and feedback obtained on country programme audits. The AUO indicators do not include the percentage of audit recommendations accepted for implementation by the management of the units or functional areas audited – an outcome indicator that is generally used by internal audit units of IFIs – because AUO does not issue a recommendation unless the responsible manager has agreed to the recommended action and the implementation timeframe. As an indicator of Management's implementation of AUO recommendations, IFAD's corporate key performance indicators include the actual rate of implementation of audit recommendations by each IFAD division.

TABLE 4

Performance indicators in Medium-term Plan 2011-2013 – some illustrative examples

Unit	Measures of success (Performance Indicator)	Type of Indicator	Measurable
AUO	Key corporate risks identified and monitored Timely and highly relevant audit reports	Outcome[a]	No
LEG	Number of loan agreements Number of host country agreements	Output[b]	Yes
COM	Increased internal communications capacity Improved quality of IFAD publications Better knowledge of IFAD among target audiences	Outcome	No, for the first two Yes, for the third
SEC	Smooth functioning of Governing Bodies Increased engagement by IFAD membership with its activities	Outcome	Yes, for the first[c] No, for the second
CFS	Robust financial management of regular and extra-budgetary funds Timely processing of transactions	Outcome Output	No, for the first Yes, for the second
TRE	Principal on investments is protected Rate of return is matched with benchmarks	Outcome	Yes
ADM	Submission of sustainable policy for common procurement with Rome-based agencies Timely and efficient implementation of host country agreements	Outcome	Yes[d]
HRD	Staff engagement index Average time to fill professional vacancies	Outcome Output	Yes
ICTD	System support for strategic workforce planning and staff profile management Capital budget projects delivered on schedule	Outcome	Yes

Notes:
[a] Outcome indicators are qualitative, unless otherwise noted.
[b] Output indicators are quantitative, unless otherwise noted.
[c] This outcome can be measured through the client surveys of Governing Bodies conducted by SEC.
[d] Service standards are needed to measure the timely and efficient implementation of host country agreements.

4. The performance indicators for LEG listed in the MTP are output indicators as they measure the volume of its activities, but do not address the quality of its services.[157]

5. Some of the performance indicators for COM set out in the MTP are outcome indicators – such as increased internal communications capacity and improved quality of publication – and are not measurable. However, another outcome indicator – better knowledge of IFAD among target audiences – can be measured through public opinion surveys. As noted earlier, COM has conducted baseline research on stakeholder perceptions of IFAD.

6. The performance indicators for SEC stated in the MTP are also outcome-oriented, e.g. Increased engagement by IFAD membership with IFAD's activities. The sources of verification of the success measures, stated in the MTP, pertain mainly to SEC's volume of activities, but also include a SEC client survey, which covers the Governing Bodies.[158]

Support units

7. The MTP performance indicators for CFS cover both outcome and output (volume and timeliness) indicators. These indicators are appropriate for incorporation in the quarterly Corporate Performance Review.

8. Regarding TRE, the new Investment Policy includes a set of proposed benchmarks (mostly external indices) for each eligible asset class. The MTP performance indicators for TRE are mostly outcome indicators (e.g. principal on investments is protected) but do include the comparison of rates of return with benchmarks.

9. The MTP included a range of outcome indicators for ADM. However, in the 2011 Q4 Corporate Performance Report, there were no indicators relating to ADM activities under the relevant CMR 7, Better administrative efficiency and an enabling work and ICT environment.

10. The MTP listed mainly output indicators for HRD (with the important exception of a Staff engagement index) and mostly outcome indicators for ICTD. There are only two HRD indicators that are common between the MTP and Corporate Performance Reviews: average time to fill P vacancies; and percentage of staff who have attended at least one in-house training course in year-to-date. None of the other indicators in the MTP are monitored in the Corporate Performance Reviews. Conversely, except for the above two indicators, the staff-related indicators monitored in the reviews are not included in the MTP.

11. The CLE surveys completed to date (CPMs, PTA staff, non-PMD managers, and GS staff) showed that a majority of staff were satisfied with the services of CFS, ADM, HRD and ICTD. However, the satisfaction ratings were concentrated in the partially agree and agree categories, with strongly agree ratings given by only 6 per cent or less of respondents. ADM's own survey, completed earlier in 2011, showed a higher level of staff satisfaction with its services.

[157] In the CLE survey of CPMs, 23 per cent of respondents partially agreed that LEG services were satisfactory, 45 per cent of respondents agreed, 7 per cent strongly agreed, and 26 per cent disagreed. Non-PMD managers expressed a much lower level of satisfaction with LEG services, with following ratings: strongly agreed - 0 per cent, agreed - 17 per cent, partially agreed - 50 per cent, and disagreed - 33 per cent.

[158] In the 2011 Q4 CPR (page 18), under CMR 9 (Effective and efficient platform for Members' governance of IFAD) it is stated: "In SEC's client survey, 92.2 per cent of Governing Body Representatives rated governance management and services as good or very good. Lower ratings were only related to volume and timely dispatch of documents.

Management actions to increase efficiency

TABLE 5

Management actions to increase efficiency

Action	Efficiency level	Efficiency gains – Sustainability and trade-offs (CLE assessment)
OPV		
Development of IT-based tracking system for document flow and actions to improve decision-making.	output	Efficiency gains are sustainable In principle, but their actual realization depends upon setting time-bound savings targets and processing times and monitoring actual performance.
CSSG – SEC		
Member States Interactive Platform launched to enable web-based communication with Executive Board.	output	As above
Pilot programme for Language Services with reduced in-house staff and increased use of external translation services.	output	As above
FOD – CFS		
Increase of 9 per cent in transaction volume in payments and payroll handled by fewer staff.	output	Sustaining efficiency gains at output level and mitigation of risk of inaccurate processing, i.e., efficiency at outcome level, require streamlining of underlying processes and setting of service standards.
Reduction of 0.5 FTE in accounting and contributions.	output	As above
Reduction of one FTE in processing of travel expense claims, and reduction in processing time.	output	As above. Travel process (including CFS and other units' activities) remains time consuming.
Processing time for withdrawal applications reduced, following transfer of 2.5 FTEs from Accounting Section.	output	As recognized by Management, significant and sustainable efficiency gains will only be realized following successful implementation of the LGS.
Reduction in travel costs of US$0.5 million in first half of 2010, due to revised travel entitlements.	output	Gains will be sustainable, provided the new travel entitlements are maintained.
FOD – BUD		
One FTE eliminated following restructuring of former SPB Division.	output	Efficiency gain at output level will adversely impact upon BUD's efficiency at outcome level.
FOD – TRE		
Reduction in number of external fund managers (from 8 to 7) based on performance, and consolidation of investment management activities within TRE.	output and outcome	Sustainability will depend upon impact of new Investment Policy.
Increased reporting and analytic support to Management by Asset and Liability Management team, despite 50 per cent reduction in FTEs.	output and outcome	Efficiency gain at output level may adversely impact upon TRE's efficiency at outcome level. That said, medium-term results will depend upon impact of new Investment Policy.
Due to full implementation of SWIFT system, processing time in cash management was reduced, while transaction volume increased by 80 per cent (between 2004 and 2006) and FTEs were reduced by 40 per cent.	output	Sustainability of efficiency gains depends upon the level of increase in transaction volume that can be processed accurately without increasing staff.
CSD – ADM		
Enhanced economies of scale are expected in a range of services, through joint procurement with FAO and WFP and use of existing long-term agreements of other UN organizations.	output	Efficiency gains are sustainable In principle, but their actual realization depends upon setting time-bound savings targets and service standards and monitoring actual performance.
Records management (RM) savings are expected once the electronic RM system is implemented.	output	As above
Savings expected in facilities services through interagency joint tendering process, measures to reduce energy consumption, and consolidation of logistics, such as catering services.	output	As above
Savings in privileges and immunities costs through a range of measures: • Electronic processing of ID card requests • Outsourcing of processing of staff compensation claims • Change in staff compensation plan for illness and injury (2011 savings – US$1 million) • Electronic debit cards for petrol purchases Security enhancements to Headquarters premises.	output	As above

Sources: 2011 POW Paper and December 2011 Update on CRA Implementation.

9 Summary of CLE surveys

1. **The CLE conducted a number of surveys to solicit the views of concerned stakeholders.** Surveys were sent to IFAD CPMs, technical staff (TS), GS staff and managers. A summary of the responses to these surveys is given in this annex. To supplement the results of the CLE surveys, the results of the IFAD Global Staff Surveys from 2006, 2008, and 2010 are cited.

2. **The CLE surveys use a scale of 1 to 6.** 1 stands for strongly disagree, 2 for disagree, 3 for partially disagree, 4 for partially agree, 5 for agree, and 6 for strongly agree. For the purposes this summary, ratings 4, 5 and 6 have been aggregated, as have ratings 5 and 6. These aggregations provide a basic measure of whether or not the survey respondents agree with a statement, and the degree to which they agree with that statement. The responses to the Global IFAD Staff Surveys break down into favorable, neutral, and unfavorable ratings.

3. **The results are presented here by category**: HR policies and incentives; institutional efficiency; programme and programme management efficiency; strategy, effectiveness and constraints to scaling up; and GS staff views on systems. Additional questions of interest were asked of the managers – those responses are given separately. The complete results of the CLE surveys are given in working papers 1-5, while selected results from the IFAD Global Staff Surveys are given in working paper 6.

4. **37 CPMs, 22 TS, 97 GS staff and 12 managers responded to the survey.** Not everyone responded fully.

HR policies and incentives

5. **Expectations of employees appear to be quite clear**. Over 90 per cent of the staff says that they understand their clients, the competencies they are expected to demonstrate, and the results they are expected to deliver. Seventy-one per cent of staff also says that they have considerable freedom of action without going to their supervisor for permission.

6. **An interesting result with regard to employee accountability arises from the surveys.** The statement, "I am held accountable by my supervisor for delivering results" receives favorable results, yet the statement, "My compensation is related to how well I do my job" receives unfavorable results. While accountability is there, this result suggests that good work goes unrewarded in terms of compensation.

7. **Only 36 per cent of TS and 43 per cent of CPMs at least partially agree that IFAD's culture, incentives and HR policies promote accountability for achieving results**. Only 16 per cent of CPMs, 14 per cent of TS, and 25 per cent of managers agree or strongly agree that IFAD's culture and policies promote accountability. GS staff tend to have a more favorable overall view of IFAD's culture, incentives, and HR policies than CPMs, TS and managers. For example, 62 per cent of GS staff believe that HR policies promote efficiency, while only 56 per cent of CPMs, 55 per cent of TS, and 42 per cent of managers agree.

IFAD's culture, incentives and HR policies promote:	CPMs (37 respondents)		TS (22 respondents)		GS (97 respondents)		Managers (12 respondents)	
	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6
Knowledge sharing	65	24	68	18	76	33	67	25
Teamwork	64	39	50	14	66	33	67	33
Efficiency in the way that programmes and services are delivered	56	14	55	14	62	29	42	25
Accountability for achieving results	43	16	36	14	N/A	N/A	50	17

Note: Responses given in percentages.

8. **Promotion of innovation significantly lags the promotion of scaling up and partnership within IFAD's culture, according to the CPMs and TS.** Seventy-two per cent of CPMs believe that scaling up is being effectively promoted through IFAD's culture, while only 41 per cent believe the same about innovation. Managers are more positive about innovation, with 67 per cent at least partially agree that it is being effectively promoted. When one looks at the 5+6 ratings, no more than about a third of CPMs, TS, and managers agree or strongly agree that scaling up, partnerships, or innovation are being effectively promoted.

	CPMs (37 respondents)		TS (22 respondents)		Managers (12 respondents)	
IFAD's culture, incentives and HR policies promote:	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6
Scaling-up	72	25	77	36	60	30
Partnership	62	19	77	36	75	33
Innovation	41	14	55	9	67	25

Note: Responses given in percentages.

9. **According to the staff, the most significant problem in HR policies is the incentive structure.** In the IFAD Global Staff Survey, the two statements with the most unfavorable ratings were, "In IFAD, the best-qualified staff members are promoted" and, "IFAD adequately rewards staff members who exhibit outstanding performance," to which 63 per cent of the staff gave unfavorable responses.

Question	Favorable	Neutral	Unfavorable
In IFAD, the best-qualified staff members are promoted	9	28	63
IFAD adequately rewards staff members who exhibit outstanding performance	10	27	63
IFAD's HR policies are applied to staff in a fair and transparent manner by HRD	17	21	62
IFAD provides effective mechanisms for staff to resolve conflicts and have grievances heard	16	28	56
I have adequate opportunity to advance my career	19	28	54
Corrective actions are taken when employees do not meet performance standards	20	27	53
My compensation is related to how well I do my job	23	26	51
IFAD is able to attract and retain high-quality people	29	31	40
Promotion recommendations are made by line supervisors on an objective and performance-related basis	34	26	40

Note: Responses given in percentages.

Institutional efficiency

10. **The survey results suggest that the strongest agreement across groups is that internal processes are a major hindrance to institutional efficiency in IFAD.** In the CLE survey, nearly 100 per cent of both CPMs and TS at least partially agree that time-consuming administrative work makes institutional efficiency suffer significantly, with 86 per cent of CPMs and 89 per cent of TS agreeing or strongly agreeing. Institutional efficiency is also hurt by cumbersome internal decision-making processes, according to 97 per cent of CPMs, 100 per cent of TS and 75 per cent of managers. Slow implementation of decisions was also cited as a problem by 95 per cent of TS, 85 per cent of GS staff, 77 per cent of CPMs, and 92 per cent of managers.

11. **In the IFAD Global Staff Survey, the statement, "IFAD internal procedures are efficient" receives a 60 per cent unfavorable rating, which is one of the worst ratings in the survey.** This rating shows a downward trend from 35 per cent in 2008. In addition, only 35 per cent of IFAD staff agree that there are strong incentives within their divisions to increase efficiency.

IFAD's institutional efficiency suffers significantly due to:	CPMs (37 respondents)		TS (22 respondents)		GS staff (97 respondents)		Managers (12 respondents)	
	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6	4+5+6	5+6
Time-consuming administrative processes	100	86	100	89	88	64	92	67
Cumbersome internal decision-making processes	97	88	100	68	91	61	75	67
Slow implementation of decisions	77	49	95	63	85	57	92	67

Note: Responses given in percentages.

Programme and programme management efficiency

12. **Contrary to most other portions of the CLE survey, CPMs and TS have different views on programmes and programme management.** They agree that there is inadequate capacity in client countries, unduly complex procedures for processing small grants, and excessive focus by PTA on QE reviews rather than on direct support to the CPMT during project preparation. However, they disagree on several other issues.

13. **The strongest disagreement between CPMs and TS comes on the topic of COSOPs. Seventy-nine per cent of CPMs agree that too much effort is being spent on preparing and reviewing COSOPs, while only 16 per cent of TS agree.** Eighty-nine per cent of CPMs agree that too much effort is devoted to preparation and reviews of IFAD policies, strategies and guidelines, while only 42 per cent of TS agree. Another significant disagreement comes on the statement "IFAD's institutional efficiency suffers significantly due to excessive use of consultants rather than staff in operations." Sixty-eight per cent of TS agree that consultants are used excessively, while only 35 per cent of CPMs agree.

IFAD's institutional efficiency suffers significantly due to:	CPMs (37 respondents)		TS (22 respondents)	
	4+5+6	5+6	4+5+6	5+6
Unduly complex procedures for processing small grants	91	60	82	53
Too much effort devoted to preparation and review of IFAD policies, strategies and guidelines	89	63	42	32
Excessive focus by PTA on QE reviews rather than on direct support to the CPMT during project preparation	85	68	84	58
Inadequate capacity in client countries, which leads to higher preparation and supervision costs for IFAD	81	47	89	42
Too much effort devoted to preparing and reviewing COSOPs	79	35	16	11
Lack of suitable instruments to finance project preparation in client countries leading to higher preparation costs for IFAD	74	44	83	44
Inadequate supervision of the grants portfolio	71	34	83	39
Slow progress in outposting of CPMs to the field	53	32	79	53
Excessive use of consultants rather than staff in operations.	35	21	68	37

Note: Responses given in percentages.

14. **CPMs and TS agree that a significant hindrance to project efficiency is restrictions from governments and other institutions.** Ninety-four per cent of CPMs and 89 per cent of TS agree that project efficiency suffers due to political interference in the appointment and retention of key staff. Ninety-one per cent of CPMs and 83 per cent of TS agree that project efficiency suffers due to cumbersome government decision-making processes. Differing procedures with cofinanciers is also a problem, according to 95 per cent of TS and 84 per cent of CPMs. Problems with project efficiency are also found internally, as 65 per cent of CPMs and 68 per cent of TS agree that internal pressures lead to projects being too complex.

	CPMs (37 respondents)		TS (22 respondents)	
Efficiency of IFAD-supported projects suffers significantly due to:	4+5+6	5+6	4+5+6	5+6
Political interference in the appointment and retention of key staff	94	53	89	37
Cumbersome government decision-making processes related to project preparation, approval and implementation in countries that I am familiar with	91	63	83	44
Complications due to differing procedures of various cofinanciers	84	48	95	47
Lack of proactive portfolio management including timely restructuring of poorly performing projects	67	24	84	37
Inadequate readiness for implementation at project approval stage	56	19	78	33
Excessive costs of project management units	36	15	50	11

Note: Responses given in percentages.

15. **CPMs and TS have some disagreement as to how to improve the analysis of project efficiency.** Ninety-five per cent of TS believe that CPMs need heightened awareness concerning the importance of efficiency analysis in project design, while only 66 per cent of CPMs agree. Secondly, 84 per cent of TS believe that greater attention needs to be paid to economic analysis and logframes during managerial reviews, while only 56 per cent of CPMs agree.

	CPMs (37 respondents)		TS (22 respondents)	
There is significant scope for improving the analysis of project efficiency by:	4+5+6	5+6	4+5+6	5+6
Improving methodological guidelines for analysis of project efficiency	75	34	84	37
Improving skills in the task teams for economic analysis and logframes	73	35	84	37
Improving awareness of CPMs concerning importance of efficiency analysis in project design	66	34	95	37
Greater attention to economic analysis and logframes during managerial reviews	56	28	84	37
Giving attention to analysis of project efficiency during the design stage	52	12	72	44

Note: Responses given in percentages.

Strategy, effectiveness and constraints to scaling up

16. **Although IFAD's effectiveness gets fairly favorable ratings from the staff, the staff advocates specific measures for improvement in this category.** Paying greater attention to scaling up through partners, and mining and disseminating knowledge generated through IFAD's programmes and services were the two methods of effectiveness improvement that received very high ratings. On the other hand, taking on smaller but more frequent projects was an idea that met strong disagreement, with 81 per cent of TS disapproving. TS, as well as CPMs, would prefer taking on fewer but larger projects.

17. **CPMs and TS both want to set the bar high for IFAD's effectiveness.** Ninety-seven per cent of CPMs and 95 per cent of TS at least partially agree that IFAD should aim to be the global leader in smallholder agriculture and rural poverty, with 86 per cent of CPMs and 76 per cent of TS agreeing or strongly agreeing. Furthermore, 80 per cent of CPMs and 79 per cent of TS at least partially agree that "moderately satisfactory" ratings for IFAD's projects and programmes are simply not good enough. They agree that IFAD should attempt to achieve "satisfactory" ratings or better.

18. **CPMs and TS both agree that grants need to be linked further to IFAD's investment portfolio.** Only 12 per cent of CPMs and no TS agree or strongly agree that regional and global grants are adequately linked to the portfolio.

	CPMs (37 respondents)		TS (22 respondents)	
	4+5+6	5+6	4+5+6	5+6
IFAD should aim to be the global leader in smallholder agriculture and rural poverty	97	86	95	76
IFAD has the skills and resources to be the global leader in smallholder agriculture and rural poverty	66	14	67	24
For IFAD to be recognized as a leader, a "moderately satisfactory" ratings for its projects and programmes is simply not good enough; the goal should be at least "satisfactory" at completion	80	69	79	68
IFAD's effectiveness would be increased by greater attention to mining and disseminating knowledge generated through its programmes and services	100	69	100	80
IFAD's effectiveness would be increased by fewer but larger projects	61	36	76	43
IFAD's effectiveness would be increased by smaller but more frequent projects	24	12	19	10
IFAD-funded grants have generated significant innovations for promoting IFAD goals in countries that I am familiar with	63	34	76	38
Regional and global grants funded by IFAD are adequately linked to the investment portfolio	39	12	35	0

Note: Responses given in percentages.

19. **Eighty-three per cent of CPMs and 89 per cent of TS at least partially agree that IFAD's effectiveness would be increased by greater attention to scaling up through partners.** While most CPMs and TS at least partially agree that IFAD has had good success in influencing partners to scale-up IFAD innovations, only 14 per cent agree or strongly agree, indicating that there is significant room for improvement. CPMs and TS agree that the most significant constraint to scaling up is inadequate resources, including staff time for promoting and marketing innovations to external and country partners. The two groups disagree when it comes to a lack of innovations emerging from projects; 39 per cent of CPMs agree this is a problem, compared to 58 per cent of TS.

	CPMs (37 respondents)		TS (22 respondents)	
	4+5+6	5+6	4+5+6	5+6
IFAD has had good success in influencing our external partners (other IFIs, bilaterals, large NGOs) to scale-up IFAD-generated innovations in countries that I am familiar with	86	14	71	14
IFAD's effectiveness would be increased by greater attention to scaling up through partners	83	40	89	79
Constraints to scaling-up of IFAD-supported projects reflect:				
Inadequate resources including staff time for promoting and marketing the innovations to external and country partners	86	51	100	58
Lack of interest among external partners (other IFIs, bilaterals, private sector, large NGOs) to follow up on someone else's idea	55	30	58	26
Scarcity of significant innovations emerging out of IFAD-supported projects	39	12	58	21

Note: Responses given in percentages.

20. **CPMs and TS have some disagreement as to how to improve the analysis of project efficiency.** Ninety-five per cent of TS believe that CPMs need heightened awareness concerning the importance of efficiency analysis in project design, while only 66 per cent of CPMs agree. Secondly, 84 per cent of TS believe that greater attention needs to be paid to economic analysis and logframes during managerial reviews, while only 56 per cent of CPMs agree.

There is significant scope for improving the analysis of project efficiency by:	CPMs (37 respondents)		TS (22 respondents)	
	4+5+6	5+6	4+5+6	5+6
Improving methodological guidelines for analysis of project efficiency	75	34	84	37
Improving skills in the task teams for economic analysis and logframes	73	35	84	37
Improving awareness of CPMs concerning importance of efficiency analysis in project design	66	34	95	37
Greater attention to economic analysis and logframes during managerial reviews	56	28	84	37
Giving attention to analysis of project efficiency during the design stage	52	12	72	44

Note: Responses given in percentages.

GS staff views on systems

21. **According to GS staff, some IFAD administrative systems lag others in performance.** Administrative support for training, ICT, and travel arrangements in particular underperform the others, with over a third of GS staff disagreeing that those systems are adequate for them to fulfill their responsibilities. None of the systems get particularly good reviews when looking at the "agree" and "strongly agree" ratings. Less than half of GS staff gives those ratings to any of the systems that were mentioned in the survey.

(GS staff) The systems in:	4+5+6	5+6
Financial transaction processing are adequate for me to effectively fulfill my responsibilities	84	47
Administrative procurement are adequate for me to effectively fulfill my responsibilities	77	41
Processing of official documents are adequate for me to effectively fulfill my responsibilities	75	43
Budget monitoring and reporting are adequate for me to effectively fulfill my responsibilities	72	34
HR transaction processing are adequate for me to effectively fulfill my responsibilities	68	37
Administrative support to country offices are adequate for me to effectively fulfill my responsibilities	68	29
Consultant hiring is adequate for me to effectively fulfill my responsibilities	67	36
Administrative support for training is adequate for me to effectively fulfill my responsibilities	64	34
ICT is adequate for me to effectively fulfill my responsibilities	63	33
Travel arrangements are adequate for me to effectively fulfill my responsibilities	62	34

Note: Responses given in percentages.

Survey of managers

IFAD's institutional efficiency in using its administrative budget

22. **All IFAD managers surveyed at least partially agree that IFAD's MTP adequately captures their department's goals and targets, though only half agree or strongly agree.** Interestingly, all of the managers surveyed at least partially agree that the number of staff directly reporting to them is appropriate given their department's work programme, but only half agree that the number of positions in their department is appropriate given its work programme.

IFAD's institutional efficiency in using its administrative budget	4+5+6	5+6
IFAD's MTP adequately captures my department's/division's goals and targets	100	50
The number of staff directly reporting to me (span of control) is appropriate given my department's/division's work programme	100	75
IFAD's institutional efficiency suffers significantly due to UN system policies and procedures (e.g. "One UN" pilot, follower of ICSC for staff salaries and compensation, etc.)	67	42
The number of positions of my department/division is appropriate given its work programme	50	25

Note: Responses given in percentages.

Resources and support from within IFAD

23. **Sixty-four per cent of the managers surveyed at least partially agree that their department's budget provides adequate resources to carry out its work programme efficiently, but only 27 per cent agree or strongly agree.** Resources and support for IT and communications and monitoring of work programmes get the highest ratings. However, only 36 per cent of managers surveyed agree or strongly agree that staff appointment and development receive adequate resources and support from IFAD, and only 27 per cent agree or strongly agree that legal advice gets adequate resources and support.

Managers on resources and support from within IFAD	4+5+6	5+6
IT & communications	91	55
Monitoring of work programmes	89	67
Staff appointment	73	36
Consultant hiring	73	64
Travel	73	64
Budget preparation	73	36
Budget monitoring	73	55
Budget execution	73	55
Staff development	64	36
Legal advice	64	27
My department's/division's budget provides adequate resources to carry out its work programme effectively	64	27

Note: Responses given in percentages.

Performance indicators

24. **One hundred per cent of managers are positive that indicators are measurable, achievable, realistic, and cover a defined timeframe for monitoring and reporting, yet only 50 per cent at least partially agree that indicators have the ability to help them achieve IFAD's strategic priorities.** Additionally, only 60 per cent of managers surveyed at least partially agree that the indicators were helping them to manage their division. This percentage falls to 40 per cent when looking only at responses of "agree" and "strongly agree." Similarly, 50 per cent of managers at least partially agree that indicators are helping them to achieve IFAD's strategic priorities. This percentage falls to 30 per cent when looking only at responses of "agree" and "strongly agree."

The performance indicators and targets used to measure and monitor my department's/division's performance:	4+5+6	5+6
are measurable	100	64
are achievable	100	55
are realistic	100	64
cover a defined timeframe for monitoring and reporting	100	82
are specific	82	55
adequately capture IFAD's exposure to risks in work programme execution	73	55
are helping me to manage my division	60	40
are helping me to achieve IFAD's strategic priorities	50	30

Note: Responses given in percentages.

Survey of Board Members

25. As discussed in the main text, one of the important characteristics of the Board is that a majority of them (80 per cent) are based in Rome.

26. Many respondents are satisfied with their own ability to exercise oversight and provide strategic guidance. However, more than half of the respondents only partially agree or partially disagree; the opinion on the adequate functioning of the Board as a whole is similar, but with a higher percentage (23) in partial disagreement about the adequacy of oversight as compared with the adequacy of strategic guidance (6).

27. A majority of respondents regard the Board agenda as meeting the requirements for efficient functioning. However, a large minority only partially agrees or disagrees; a large majority regards the annual number of meetings as adequate; some however would favor a fourth meeting, possibly back-to-back with the GC.

28. On the question of the desirability of a TORs for Board representatives, the respondents strongly differ. A majority at least partially agrees that TORs would be useful and 28 per cent even feel this strongly; a large minority of 44 per cent at least partially disagrees.

29. Opinions are divided on whether delegation to Management should be increased; more than half of the respondents would at least partially disagree (14 per cent strongly). A significant majority agrees at least partially that the present limit of US$15 million for lapse-of-time decisions is about right; one written comment clearly expresses the wish for a higher limit in order to gain time for the discussion of strategic issues; an overwhelming majority would disagree with full delegation of approval of loan-financed projects to the President.

30. A very large majority finds the discussion of COSOPs useful and a large majority regards the support of the the AC and the EC to the Board as effective. The AC is rated as useful by more than 90 per cent of respondents and as very useful by the remainder; its agenda is regarded as correctly focused on major issues of oversight and risk management; 45 per cent of the AC members are satisfied with the attention they are able to give to IFAD's POWB but another 45 per cent are only partially satisfied, while 9 per cent are partially dissatisfied. The EC gets a somewhat lower but still very high rating for usefulness and a more qualified agreement with its agenda (almost 60 per cent regard this as only partially focused on major issues of development effectiveness).

31. There is agreement among the great majority of respondents (more than 80 per cent) that IOE's interaction with Management at EC meetings is helpful for gaining insight into the lessons learned and major issues that need to be addressed moving forward, with the remaining 17 per cent in partial agreement.

32. More than 75 per cent of respondents regard the discussion of RIDE, ARRI and PRISMA as essential for Board oversight and understanding of IFAD's development effectiveness. The remainder is in only partial agreement or disagreement.

33. On the topical question of the desirability of a cooling-off period before Board representatives can enter into the service of IFAD, opinions differ: a large majority of over 70 per cent agrees (19 per cent strongly; 19 per cent partially); a minority of a quarter disagrees (half of which strongly); in the written comments no reference is made to the potential incompatibility between oversight duties of Board members and no cooling off.

34. A large majority (82 per cent) regards annual country visits by the EC as important. More than 60 per cent would like to see these complemented by Board visits (13 per cent disagree or strongly disagree and another 25 per cent partially disagree or agree).

35. One hundred per cent of respondents agreed or strongly agreed (12 per cent) that SEC provides efficient service to the Board and its committees. The response to the question on how to improve SEC services was that it was skipped by 18 of the 20 respondents; the two who answered had no suggestions.

36. The Board is divided on economizing on translation and interpretation services by only translating executive summaries of documents into the other working languages and by ending the interpretation into these languages in Board meetings. Strong agreement and disagreement were expressed by significant numbers of respondents (see also the paragraph on SEC); however, a large majority is in favor of using English as the only working language in the AC, but with 20 per cent opposed or strongly opposed.

37. The opinion on the efficiency of LEG's services covers a spectrum from 31 per cent satisfaction to 37 per cent dissatisfaction, including 12 per cent strong disagreement with the efficiency of provision. Similar percentages apply to the opinions on clarity of the documents provided

and whether they provide necessary guidance; a majority agrees or partially agree that LEG is helpful when a Board member encounters a problem, but more than 30 per cent partially, wholly or strongly (8 per cent) disagrees. This question was skipped by 7 of the 20 respondents.

38. The GC 2012 received a broadly positive rating from respondents. However more than two thirds at least partially found the agenda overloaded. Additionally, 86 per cent of respondents (with 6 skipping the question) would be in favor of convening the GC every two years instead of annually.

39. A majority would agree, at least partially, that the GC should delegate the approval of the annual administrative budget to the Board. But with a significant minority of one third disagreeing, at least partially, a broadly similar picture emerges for the delegation of the laying down by the GC of financing policies and rules.

40. The tri-annual RCs are regarded as an efficient way of mobilizing resources by IFAD by a significant majority. An overwhelming majority regarded the conduct of the Ninth Replenishment as efficient, with 13 per cent in strong agreement.

TABLE 1

Results for questions common across different categories of staff and managers

	1 = Strongly disagree 2 = Disagree 3 = Partially disagree 4 = Partially agree 5 = Agree 6 = Strongly agree
1	Internal pressures (e.g. too many priorities, limited number of projects per country, etc.) lead to projects being too complex
	HR Policies **IFAD's culture, incentives and HR policies promote:**
2	accountability for achieving results
3	innovation
4	partnership
5	scaling up
6	efficiency in the way that programmes and services are delivered
7	teamwork
8	knowledge sharing
	Effectiveness
9	IFAD should aim to be the global leader in small holder agriculture and rural poverty
10	IFAD has the skills and resources to be the global leader in small holder agriculture and rural poverty
11	IFAD funded grants have generated significant innovations for promoting IFAD goals in countries that I am familiar with
12	IFAD has had good success in influencing our external partners (other IFIs, bilaterals, large NGOs) to scale up IFAD-generated innovations in countries that I am familiar with
	In countries I am familiar with, IFAD's effectiveness would be increased by:
13	fewer but larger projects
14	smaller but more frequent projects
15	greater attention to scaling-up through partners
16	greater attention to mining and disseminating knowledge generated through its programmes and services
17	For IFAD to be recognized as a leader, a "moderately satisfactory" ratings for its projects and programmes is simply not good enough; the goal should be at least "satisfactory" at completion
18	Regional and global grants funded by IFAD are adequately linked to the investment portfolio
	Institutional efficiency **IFAD's institutional efficiency suffers significantly due to:**
19	cumbersome internal decision-making processes
20	slow implementation of decisions
21	time-consuming administrative processes
22	UN system policies and procedures (e.g. "One UN" pilot)
23	inadequate capacity in client countries leading to higher preparation and supervision costs for IFAD
24	lack of suitable instruments to finance project preparation in client countries leading to higher preparation costs for IFAD
25	slow progress in outposting of CPMs to the field
26	excessive use of consultants rather than staff in operations
27	too much effort devoted to preparation and reviews of IFAD policies, strategies and guidelines
28	too much effort devoted to preparing and reviewing COSOPs
29	unduly complex procedures for processing small grants
30	inadequate supervision of the grants portfolio
31	excessive focus by PTA on QE reviews rather than on direct support to the CPMT during project preparation

CPMs (as percentage; 37 respondents)				TS (as percentage; 22 respondents)				GS staff (as percentage; 97 respondents)				Managers (as percentage; 12 respondents)			
1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6
22	35	65	27	18	32	68	23								
41	57	43	16	32	64	36	14					13	38	50	17
38	59	41	14	27	45	55	9	26	36	64	34	17	22	67	25
22	38	62	19	5	23	77	36					6	18	75	33
17	28	72	25	14	23	77	36					7	29	60	30
25	44	56	14	14	45	55	14	23	38	62	29	32	32	42	25
19	36	64	39	27	50	50	14	17	34	66	33	11	22	67	33
18	35	65	24	23	32	68	18	14	24	76	33	12	24	67	25
3	3	97	86	0	5	95	76								
20	34	66	14	14	33	67	24								
29	37	63	34	10	24	76	38								
3	14	86	14	19	29	71	14								
15	39	61	36	5	24	76	43								
42	76	24	12	67	81	19	10								
9	17	83	40	5	11	89	79								
0	0	100	69	0	0	100	80								
11	20	80	69	11	21	79	68								
39	61	39	12	35	65	35	0								
3	3	97	88	0	0	100	68	2	9	91	61	5	14	75	67
9	23	77	49	0	5	95	63	7	15	85	57	0	5	92	67
0	0	100	86	0	0	100	89	3	13	88	64	0	5	92	67
24	47	53	15	16	32	68	37	36	53	47	15	19	19	67	42
6	19	81	47	5	11	89	42								
12	26	74	44	0	17	83	44								
32	47	53	32	16	21	79	53								
44	65	35	21	16	32	68	37								
6	11	89	63	21	58	42	32								
15	21	79	35	47	84	16	11								
9	9	91	60	6	18	82	53								
14	29	71	34	6	17	83	39								
9	15	85	68	11	16	84	58								

1 = Strongly disagree 2 = Disagree 3 = Partially disagree	4 = Partially agree 5 = Agree 6 = Strongly agree
	Constraints to scaling up **Constraints to scaling up of IFAD-supported projects reflect:**
32	scarcity of significant innovations emerging out of IFAD-supported projects
33	lack of interest among external partners (other IFIs, bilaterals, private sector, large NGOs) to follow up on someone else's idea
34	inadequate resources including staff time for promoting and marketing the innovations to external and country partners
	Project efficiency **Efficiency of IFAD-supported projects suffers significantly due to:**
35	cumbersome government decision-making processes related to project preparation, approval and implementation in countries that I am familiar with
36	political interference in the appointment and retention of key staff
37	complications due to differing procedures of various cofinanciers
38	inadequate readiness for implementation at project approval stage
39	excessive costs of project management units
40	lack of proactive portfolio management including timely restructuring of poorly performing projects
41	inadequate attention to analysis of project efficiency during the design stage
	Project efficiency analysis **There is significant scope for improving the analysis of project efficiency by:**
42	improving methodological guidelines for analysis of project efficiency
43	improving skills in the task teams for economic analysis and logframes
44	greater attention to economic analysis and logframes during managerial reviews
45	improving awareness of CPMs concerning importance of efficiency analysis in project design

	CPMs (as percentage; 37 respondents)				TS (as percentage; 22 respondents)				GS staff (as percentage; 97 respondents)				Managers (as percentage; 12 respondents)			
	1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6	1+2	1+2+3	4+5+6	5+6
	42	61	39	12	32	42	58	21								
	24	45	55	30	26	42	58	26								
	6	14	86	51	0	0	100	58								
	3	9	91	63	0	17	83	44								
	6	6	94	53	0	11	89	37								
	6	16	84	48	0	5	95	47								
	19	44	56	19	6	22	78	33								
	24	64	36	15	22	50	50	11								
	24	33	67	24	11	16	84	37								
	27	48	52	12	6	28	72	44								
	13	25	75	34	5	16	84	37								
	15	27	73	36	11	16	84	37								
	31	44	56	28	11	16	84	37								
	16	34	66	34	0	5	95	37								

TABLE 2

Results of additional questions in the survey of country programme managers (as percentage; 37 respondents)

		1+2	1+2+3	4+5+6	5+6
CPM-1	The authority delegated to me is adequate to do my job effectively	5	8	92	73
CPM-2	Adequate support is available for procurement	38	59	41	28
CPM-3	Adequate support is available for processing loan withdrawal applications	9	19	81	66
CPM-4	Adequate support is available for operational travel	16	26	74	61
CPM-5	Adequate support is available for consultant hiring	25	41	59	25
CPM-6	Adequate support is available for information and communication technology	26	35	65	29
CPM-7	Adequate support is available for legal advice	16	26	74	52
CPM-8	Adequate support is available for managing country office logistics	38	48	52	28
CPM-9	Adequate support is available for budget monitoring	17	27	73	50
CPM-10	My budget and other resources (including staff time) are adequate to carry out my work programme effectively	31	59	41	22
CPM-11	IFAD's culture, incentives and HR policies promote learning and skills development	30	41	59	24
CPM-12	COSOPs have proven to be a highly useful instrument for deciding on thematic/subsectoral priorities for IFAD support	12	29	71	38
CPM-13	COSOPs have proven to be a highly useful instrument for project selection and design	15	29	71	29
CPM-14	COSOPs have proven to be a highly useful instrument for grants selection	35	62	38	0
CPM-15	Efficiency of IFAD-supported projects suffers significantly due to inadequate government capacity to manage project-related procurement in countries that I am familiar with	18	18	82	47
CPM-16	Efficiency of IFAD-supported projects suffers significantly due to inadequate attention in project designs to client implementation capacity limitations	16	38	63	38

TABLE 3

Results of additional questions in the survey of technical staff (as percentage; 22 respondents)

		1+2	1+2+3	4+5+6	5+6
TS-1	The support available to me in consultant hiring is adequate for me to perform my job effectively	11	32	68	21
TS-2	The support available to me in operational travel is adequate for me to perform my job effectively	5	11	89	58
TS-3	The support available to me in information technology and communications is adequate for me to perform my job effectively	5	21	79	58
TS-4	In countries I am familiar with, IFAD's effectiveness would be increased by fewer but larger grants	14	57	43	43
TS-5	The GSR ratings realistically portray the status of the grants portfolio	20	35	65	15
TS-6	In countries that I am familiar with, IFAD effectiveness would increase by shifting resources towards global and regional grants	20	50	50	15
TS-7	In countries that I am familiar with, IFAD effectiveness would increase by shifting resources towards country-specific grants	5	47	53	16
TS-8	In countries that I am familiar with, IFAD effectiveness would increase by shifting resources towards loans (including DSF grants)	15	40	60	15
TS-9	The benchmarks used in ex post evaluations for assigning "highly satisfactory" ratings to IFAD-supported projects and programmes are unrealistically high	6	17	83	28
TS-10	Efficiency of IFAD-supported projects suffers significantly due to inadequate government capacity for financial management and accounting in countries that I am familiar with	11	28	72	33
TS-11	Efficiency of IFAD-supported projects suffers significantly due to inadequate government capacity to manage project-related procurement in countries that I am familiar with	11	17	83	39

TABLE 4

Results of additional questions in the survey of GS staff (as percentage; 97 respondents)

		1+2	1+2+3	4+5+6	5+6
GS-1	My responsibilities are specific and known to me	4	7	93	81
GS-2	My manager has delegated adequate authority to me to do my job effectively	4	8	92	76
GS-3	Internal pressures result in too many priorities that adversely affect the efficiency of my own work	21	31	69	39
GS-4	Communications between my department/division and other parts of IFAD are clear and timely	16	33	67	31
GS-5	Communications within my department/division are clear and timely	8	20	80	52
GS-6	Culture and incentives in IFAD promote learning and skills development	21	30	70	39
GS-7	IFAD's efficiency suffers significantly due to too many IFAD policies and guidelines	9	25	75	45
GS-8	The systems in consultant hiring are adequate for me to effectively fulfill my responsibilities	19	33	67	36
GS-9	The systems in HR transaction processing are adequate for me to effectively fulfill my responsibilities	17	32	68	37
GS-10	The systems in financial transaction processing are adequate for me to effectively fulfill my responsibilities	5	16	84	47
GS-11	The systems in administrative procurement are adequate for me to effectively fulfill my responsibilities	14	23	77	41
GS-12	The systems in processing of official documents are adequate for me to effectively fulfill my responsibilities	11	25	75	43
GS-13	The systems in travel arrangements are adequate for me to effectively fulfill my responsibilities	26	38	62	34
GS-14	The systems in Information and Communication Technology are adequate for me to effectively fulfill my responsibilities	17	37	63	33
GS-15	The systems in administrative support for training are adequate for me to effectively fulfill my responsibilities	23	36	64	34
GS-16	The systems in administrative support to country offices are adequate for me to effectively fulfill my responsibilities	19	32	68	29
GS-17	The systems in budget monitoring and reporting are adequate for me to effectively fulfill my responsibilities	12	28	72	34

TABLE 5

Results of additional questions in the survey of managers (as percentage; 97 respondents)

		1+2	1+2+3	4+5+6	5+6
M-1	The authority delegated to me is adequate to do my job effectively	0	0	100	75
M-2	Internal pressures (e.g. too many priorities, limited number of slots in country programme) lead to projects being too complex	11	11	82	45
M-3	IFAD's culture, incentives and HR policies promote efficiency in the way that programmes and services are delivered	32	32	42	25
M-4	IFAD's culture, incentives and HR policies promote learning and skills development	11	16	75	42
M-5	IFAD's MTP adequately captures my department's/division's goals and targets	0	0	100	50
M-6	The number of positions of my department/division is appropriate given its work programme	21	32	50	25
M-7	The number of staff directly reporting to me (span of control) is appropriate given my department's/division's work programme	0	0	100	75
M-8	The performance indicators and targets used to measure and monitor my department's/division's performance are helping me to manage my division	18	24	60	40
M-9	The performance indicators and targets used to measure and monitor my department's/division's performance are helping me to achieve IFAD's strategic priorities	13	33	50	30
M-10	The performance indicators and targets used to measure and monitor my department's/division's performance are specific	11	11	82	55
M-11	The performance indicators and targets used to measure and monitor my department's/division's performance are measurable	0	0	100	64
M-12	The performance indicators and targets used to measure and monitor my department's/division's performance are achievable	0	0	100	55
M-13	The performance indicators and targets used to measure and monitor my department's/division's performance are realistic	0	0	100	64
M-14	The performance indicators and targets used to measure and monitor my department's/division's performance cover a defined timeframe for monitoring and reporting	0	0	100	82
M-15	The performance indicators and targets used to measure and monitor my department's/division's performance adequately capture IFAD's exposure to risks in work programme execution	11	16	73	55
M-16	HR policies and procedures provide adequate guidance for managing staff	11	17	75	33
M-17	HR policies and procedures encourage the professional development of staff	6	22	67	42
	Resources and support from within IFAD:				
M-18	Staff appointment	6	19	73	36
M-19	Staff development	12	24	64	36
M-20	Management of underperforming staff	15	25	55	55
M-21	Consultant hiring	10	15	73	64
M-22	Travel	14	14	73	64
M-23	IT & Communications	6	6	91	55
M-24	Legal advice	18	24	64	27
M-25	Budget preparation	17	17	73	36
M-26	Budget monitoring	11	16	73	55
M-27	Budget execution	11	16	73	55
M-28	Monitoring of work programmes	0	7	89	67
M-29	My department's/division's budget provides adequate resources to carry out its work programme effectively	22	22	64	27

TABLE 6

Selected results from IFAD global staff surveys (2006, 2008, 2010; as percentage)

	Question	2010 Favorable	2010 Neutral	2010 Unfavorable	2008 Favorable	2008 Neutral	2008 Unfavorable	2006 Favorable	2006 Neutral	2006 Unfavorable
1	IFAD Senior Management has been working to implement important changes consistent with the result of the 2008 Global Staff Survey	23	35	42	35	34	31	N/A	N/A	N/A
2	I believe that IFAD's Senior Management Team will respond constructively to the results of this survey	28	31	41	36	33	31	38	29	33
3	I have confidence in IFAD's Senior Management	23	33	45	29	38	33	35	35	30
4	IFAD's HR policies are applied to staff in a fair and transparent manner by HRD	17	21	62	17	25	58	15	23	62
5	IFAD's HRD processes staff entitlements in a fair and transparent manner as per the HR Procedures Manual	26	30	44	25	33	42	29	28	44
6	IFAD provides effective mechanisms for staff to resolve conflicts and have grievances heard	16	28	56	21	34	46	19	22	59
7	IFAD's HR policies in general are applied in a fair and consistent manner by the Departmental Management Team corresponding to my division	26	32	42	26	35	39	24	33	43
8	IFAD is able to attract and retain high-quality people	29	31	40	29	30	40	25	34	41
9	In my division there are strong incentives to increase efficiency	35	29	36	36	28	36	32	24	44
10	IFAD's Strategic Framework is effective in guiding programme decisions	38	43	19	41	41	19	36	44	20
11	Overall, my division is effective in accomplishing its objectives	77	15	8	72	20	8	68	17	15
12	IFAD internal procedures are efficient	12	27	60	37	28	35	N/A	N/A	N/A
13	I have a good understanding of who our clients are	95	3	2	95	4	1	95	4	2
14	I understand the results I am expected to deliver	90	6	4	90	6	4	86	6	8
15	I am held accountable by my supervisor for delivering those results	90	7	3	89	6	5	87	7	6
16	I have considerable freedom of action without going to my supervisor for permission	71	14	15	67	17	16	66	15	19
17	My job contributes to the achievement of IFAD's goals	89	9	2	91	8	1	90	9	1
18	My division works consistently toward achieving long-term objectives	78	13	9	73	20	7	71	19	11
19	The objectives of my division are clearly linked to IFAD's Strategic Framework	81	15	4	80	17	3	77	18	6
20	My work objectives are clearly linked to the Management Development Plans in line with IFAD's Strategic Framework	79	16	5	74	20	6	72	24	5
21	Promotion recommendations are made by line supervisors on an objective and performance-related basis	34	26	40	34	28	37	32	26	41
22	In IFAD, the best-qualified staff members are promoted	9	28	63	9	29	62	7	27	66
23	My division assigns the right people to the job	40	35	26	38	33	30	33	35	32

	Question	2010 Favorable	2010 Neutral	2010 Unfavorable	2008 Favorable	2008 Neutral	2008 Unfavorable	2006 Favorable	2006 Neutral	2006 Unfavorable
24	My supervisor actively supports innovation and work improvement	80	11	9	76	14	10	N/A	N/A	N/A
25	My supervisor encourages openness and trust	76	14	10	72	13	14	71	11	18
26	My supervisor treats me with respect	82	10	8	79	10	11	82	8	10
27	My supervisor would support me if I had special needs in my family or personal life	88	9	3	84	10	6	84	10	6
28	My supervisor encourages me to share my knowledge with others	83	12	5	80	13	7	80	12	8
29	I know the competencies I am expected to demonstrate in my job	93	5	2	93	5	3	91	5	3
30	IFAD adequately rewards staff members who exhibit outstanding performance	10	27	63	16	31	53	18	26	55
31	My compensation is related to how well I do my job	23	26	51	21	26	54	20	23	57
32	Corrective actions are taken when employees do not meet performance standards	20	27	53	17	24	59	16	26	58
33	I am satisfied with the recognition I receive for doing a good job	37	29	33	42	26	33	39	24	37
34	My work gives me a feeling of personal accomplishment	77	13	10	72	17	11	72	14	13
35	The workload is distributed fairly in my division	32	24	44	29	32	40	34	23	42
36	I have adequate opportunity to advance my career	19	28	54	24	26	50	19	27	54
37	I am treated with respect at work	77	15	8	77	13	10	75	13	11
38	I am encouraged to respect cultural differences in my division	81	16	3	80	15	5	75	17	8

TABLE 7

Results from the Executive Board Survey (percentage)

Question	1&2	1&2&3	4&5&6	5&6
It would be useful to have terms of reference for Board members	33	44	56	50
With present procedures, the Board meetings allow me to fulfill my duty of oversight in a satisfactory manner	0	19	81	44
The Board fulfills adequately its functions of strategic guidance	0	6	94	31
The Board fulfills adequately its functions of oversight	0	23	77	38
The Board agenda is in line with the functions it is expected to discharge	0	6	94	56
The Board agenda could be reduced by greater delegation to Management	43	57	43	14
The current number of regular Board meetings (three per year) is adequate	19	19	81	63
The present limit of US$15 million for lapse-of-time decisions on loans is about right (if not, please indicate what the limit should be)	13	19	81	44
Approval of loan-financed projects should be delegated to the President	80	87	13	7
The POW and the Administrative Budget of IFAD receives adequate attention in the Audit committee	0	9	91	45
The standing Board committees, Audit and Evaluation, provide effective support to the Board	6	6	94	59
The discussion of COSOPs is useful for understanding IFAD`s role in a country	6	6	94	83
The discussion of the annual reports RIDE, ARRI and PRISMA is essential for Board oversight and understanding of IFAD`s development effectiveness	0	12	88	76
The Member States Online Platform is a useful tool	0	6	94	82
Representatives of Member States in the Board and its committees should be subject to a cooling-off period of at least one year before entering into the service of IFAD	25	25	75	56
How do you rate the usefulness of the Audit Committee?	0	0	100	100
The agenda of the Audit Committee focuses attention on major issues relating to financial oversight, risk management and controls	0	0	100	80
The practice of using English only as the working language should be introduced in the Audit Committee	20	20	80	60
How do you rate the usefulness of the Evaluation Committee?	0	0	100	83
The agenda of the Evaluation Committee focuses attention on major issues relating to IFAD`s development effectiveness	0	0	100	42
The interaction between IOE and Management at the Evaluation Committee meetings is helpful for gaining insight into the lessons learned and major issues that need to be addressed moving forward	0	0	100	83
Annual country visits by the Evaluation Committee are important for the understanding of IFAD`s role in recipient countries and exposing key lessons and issues	0	9	91	82
The GC 2012 was useful	7	20	80	40
The GC 2012 allowed less time than in the past for statements from the Governors and made more time for podium discussions related to IFAD`s interests. This has made the GC more interesting	7	13	87	40
The GC meetings are useful for meeting colleagues from other Member States and IFAD Management and staff	21	21	79	43
The GC approves the annual administrative budget (Agreements Establishing IFAD, article 6.10) and the Audit Financial Statements (By-laws, Section 9). This should be delegated to the Board (would require an amendment to the Agreements Establishing IFAD and the By-laws).	27	33	67	47
The GC lays down financing policies, criteria and regulations (Agreements Establishing IFAD, article 7.1e). This should be delegated to the Board (would require an amendment to the Agreement)	29	29	71	43

Question	1&2	1&2&3	4&5&6	5&6
GC 2012: The documentation was provided on time	0	0	100	93
GC 2012: The documents, on the whole, were of the right length for their subjects	0	0	100	64
GC 2012: The agenda was overloaded	31	31	69	31
	1 day	1 1/2 days	2 days	2 1/2 days
The meetings of the GC should not last for more than	38	31	31	0
	1&2	1&2&3	4&5&6	5&6
GCs should not be convened annually but once every two years	14	14	86	86
Ninth Replenishment: The documents had the right content for decision-making	0	0	100	80
Ninth Replenishment: The consultations were conducted efficiently	0	0	100	93
	Too many	Just right	Too few	
The meetings for the Ninth Replenishment were	14	86	0	
	1&2	1&2&3	4&5&6	5&6
The tri-annual Replenishment Consultations are an efficient way of mobilizing resources for IFAD	7	14	86	57
The large number of Member States attending the Replenishment meetings should be reduced to improve efficiency of the process	50	63	38	19
List Convenors & Friends (LC&F): The LC&F meetings with the President are useful for setting the agenda of the Board meetings	0	8	92	50
List Convenors & Friends (LC&F): The meetings among LC&F members enhance the efficiency of Board meetings	8	8	92	50
List Convenors & Friends (LC&F): The LC&F meetings were helpful for the Ninth Replenishment	17	17	83	33
SEC serves the Board and its committees efficiently	0	0	100	100
Interpretation from English into other IFAD official working languages should no longer be provided for Board meetings	50	56	44	38
Only the executive summaries of documents in English should be translated into the other IFAD official working languages	44	50	50	44
A cap on the length of documents presented to IFAD Governing Bodies should be established	19	19	81	63
SEC is helpful when I encounter a problem and require assistance	0	0	100	100
The Executive Board informal seminars are very useful	0	6	94	69
In addition to the Evaluation Committee country visits, also Executive Board country visits should be established	13	19	81	63
LEG provides its services efficiently to the Board and its committees	38	56	44	31
Documents from LEG for the Board and its committees are clear and provide guidance when necessary	44	63	38	31
LEG is helpful when I encounter a problem and require assistance	23	31	69	31

The numbers at the top of the columns refer to the response on the 1-6 scale – 1&2 represent responses of strongly disagree or disagree and at the other end, 5&6 represent agree or strongly agree.

10 Senior independent advisers' report

Introduction

1. Our terms of reference focused on quality assurance. They required us: (i) to review the approach paper, the inception report, the interim evaluation report, the draft final report and the associated working papers; (ii) to participate in a 1-day workshop in Rome on February 9th, 2012; and (iii) to prepare this evaluative note on the quality of the process and the final product. We had full access to relevant information and enjoyed ample opportunity to interact with the evaluation team. Throughout the process, we offered advice about the scope of the exercise, the approach to the task and the methods used. We comment below on the outcome of the review and on key drivers of evaluation quality especially those that determine that the validity of evaluation findings.

Evaluation scope and design

2. As the report recognises, this evaluation was unusually challenging. In many respects it broke new ground. First, the evaluation team was tasked with carrying out a summative as well as a formative evaluation in a field (sustainable rural development for the poor) where impacts are elusive and meaningful comparators are hard to find. Second, of all Development Assistance Committee evaluation criteria, efficiency is the least well-articulated and the most neglected by evaluation professionals. It is also the most demanding since its assessment implies a judgment about all the other criteria.[159] To address it, the evaluation team examined all available operational evidence and tackled overarching aspects of corporate governance and operational management that operational evaluations rarely address.

3. We fully support the comprehensive scope adopted by the evaluation team and the judicious distinction it drew between institutional efficiency and programme efficiency as set out notably in Figure 1 of the main report. Given IFAD's unique mandate of incubating creative and innovative approaches to rural poverty reduction, it was entirely appropriate for the evaluation team to assess at efficiency at various levels – outputs, outcomes and impacts. Doing so highlighted the trade-offs that operational managers must strike between efficiency and the thin spread of IFAD's scarce resources across countries and themes desired by its owners. Inevitably, this brought out selectivity as a key determinant of IFAD's efficiency.

[159] An intervention cannot be considered efficient if its relevance, effectiveness and sustainability are in doubt.

4. The conceptual framework of the evaluation also encouraged explicit consideration of the quality of partnerships that underlie the likelihood of replication and scaling up. It also laid stress on the effective stewardship of assets under IFAD's direct control and it directed attention to the distinctive contributions of various operational and support functions to overall corporate efficiency. Finally the analytical scheme used for the evaluation induced a much needed exploration of the human resources, budget incentives and control environment that have shaped IFAD's corporate culture. These vital functions are critical to the efficient use of IFAD's scarce budget and staff resources.

Data adequacy and analysis

5. The report comments on the limitations of the evidence available. It points out that "IFAD lacks information on the full costs of its activities, since it is unable to attribute staff costs to diverse services and activities" and that "IFAD has made less progress than some comparator organisations with respect to databases and its capacity for enterprise analytics such as analysis pulling together staffing, other budgetary costs, activity timelines and programme/portfolio performance" (Main Report, paragraph 17). The consultants were, in our view, quite right to acknowledge that "in some cases the related findings may not meet the stringent standards of evidentiary basis needed to establish accountabilities for the past performance" (Main Report, paragraph 18).

6. Tackling these data constraints is a core management challenge. It would not only enhance the "evaluability" of IFAD operations but also improve its efficiency: what does not get measured is hard to manage. But even in the absence of data highly relevant to the effective management of budget and staff resources the consultants were able to reach plausible judgments through praiseworthy 'triangulation' efforts – desk reviews, data analysis; IFAD audits, self-evaluations; interviews; focus group discussions; surveys; country studies and benchmarking comparisons. It is equally noteworthy that the Management's comments on the draft report, while raising questions about the reliance to be placed on some of these sources, adduced contrary evidence in only a few cases. On balance, we conclude that the report reflects a serious attempt to identify and use all relevant evidence.

Findings, conclusions and recommendations

7. Our considered judgment is that the summative findings of the final report are as well grounded in evidence as could have been expected. On the other hand, there is room for debate about the detailed conclusions and recommendations and the sequencing of their implementation. This is no reflection on the quality of this evaluation. Evaluators cannot be expected to draw up detailed road maps for organizational change. All they can reasonably be expected to offer is an evidence-based agenda for principled debate among decision makers. Accordingly, rather than going through the findings and recommendations in detail, we opted to comment on the ten 'main messages' (Main Report, paragraph 133).

(i) Project quality: noteworthy improvements but project efficiency lags. This finding is well-based in evaluation evidence and in Management's own reports.

(ii) IFAD is appreciated for its flexibility and participatory approaches, but more focus is needed in the operational portfolio. The first of these judgments is based on the evidence adduced following country visits and surveys; the second is based on the evidence that the current spread of project coverage, whether by country or by thematic area, is very broad in relation to the modest size of IFAD's portfolio. The extent of sharpening the targeting of IFAD's operations while maintaining the participatory approach of IFAD interventions is a policy matter but its potential for enhancing the efficiency of the organization is undeniable.

(iii) Significant adjustments have been made to the operating model. This is certainly not in dispute.

(iv) Staffing is not yet sufficiently aligned to the changing business model. Evidence here comes from interviews and staff surveys, as well as from management information. We are ourselves persuaded that there remains a good deal to be addressed in this area (see also ix below).

(v) Corporate business processes need to adapt to decentralisation. Here again, both interview and survey evidence, as well as management information, provide a solid basis for this message. The consequences of a major re-direction of IFAD's business model to a much more decentralised approach appear to be still working their way through the system so that issues such as the appropriate responsibilities of country offices, the terms on which local staff are engaged and how decentralisation is supported by IT do seem to require further attention by Management.

(vi) Managers and staff need a consistent and manageable framework for accountability for results. The extent of progress in this area has been one of the most contested between Management and the evaluators. Many, indeed probably most, organisations struggle to deploy such a framework in a way that genuinely incentivises staff to work toward development outcomes and impacts (as opposed to narrower outputs that may in the end drive some counter-productive behaviour). While the evidence secured in this connection heavily depends on judgment informed by qualitative sources of information, the overall intent of this message seems to us valid.

(vii) Budget management and processes have been tightened in recent years, though there is room for further enhancement. This seems an uncontroversial message.

(viii) IFAD needs to work with implementing governments to address areas of weak Government performance. Evidence for the significance of supporting improved government performance seems strong; and we feel that a good case has been made for action in this area.

(ix) Management of staff needs to be better aligned to IFAD's current needs. Evidence in much of this area seems strong. For example, it is not in dispute that IFAD's grade mix is out of line with comparators, that very few staff members are rated below satisfactory, and that some aspects of decentralisation (including a more ruthless attitude to duplication with headquarters) need to be developed further. There is scope for disagreement around the extent of overreliance on consultants but the current proportion does look high.

(x) There is scope for further efficiency gains in the IFAD Governing Bodies. While the report brings out interesting issues related to IFAD's governance the evidence for major potential efficiency gains here seems rather thin, so long as present policy on translation is continued, given that governance of IFAD is light by comparison with most international bodies and that the Board is already implementing cost reductions agreed in the last Replenishment.

Evaluation process and independence

8. We note that there have been detailed and critical comments by Management on some aspects of the draft report. We regard this as normal for a study of this scope and complexity. We ourselves shared some, but by no means all, of

the perspectives advanced by Management. We also noted approvingly that the evaluators took full account of points where factual issues were at stake and/or Management's views were well supported by evidence. This resulted in useful changes as well as in some extensive reciting of actions previously taken by Management.

9. On the other hand, the evaluators maintained their views on key critical issues where Management took a different view (as for example on some aspects of performance-based management). All in all, we have been impressed with the openness of the exchanges and with the way in which IOE managed the process of interaction between Management and the evaluation team. We conclude that the evaluators have been able to express clearly their views on all salient points.

Concluding thoughts

10. Our involvement in this exceptionally demanding evaluation provoked a few concluding thoughts on IFAD and the evaluation itself.

Reflections on IFAD

11. IFAD has experienced rapid growth over the last few years, with its programmes of loans and grants doubling from 2007 to 2012, average project size up by a similar amount, total staff up by 30 per cent over the same period and consultant-years by even more. Looking ahead, we suspect that, along with most other development assistance agencies dependent on donor funding, and despite the evident importance of its mission, IFAD may now face several years of flatter resourcing. This will make it harder for IFAD to achieve economies of scale and efficiency gains per unit of output. Yet, in a context of scarce donor funding, pressure for output efficiency is bound to remain high.

12. In relation to other multilateral development agencies IFAD will continue to struggle to deliver its programme with output efficiency indicators comparable to a typical MDB.[160] This is because it has a relatively small programme, despite significant recent increases, and also because it operates mainly through projects of a participatory and often complex nature usually implemented in relatively weak administrative environments. IFAD could however deliver significantly higher outcome and impact efficiencies if it were successful in leveraging other resources in support of its mission. We therefore find the emphasis of the evaluators on achieving the quality and relevance to leverage such resources entirely plausible. Accordingly, paragraphs 129-132 of the Overview demand to be read with particular attention.

13. We also find plausible the message in paragraph 133 that: "judicious investments in technology, systematic redeployment of administrative resources towards high return areas, an enhanced skill mix, increased selectivity in operations, substantive delegation of responsibility and above all cultural change focused on excellence and strategic partnerships hold the key to improved IFAD efficiency." However, we also appreciate that investments (such as that clearly needed in ICT) need to be delivered in an environment that will often require countervailing savings elsewhere. Since these can only be secured gradually the rationale for funding ICT improvements through a capital budget provision seems compelling.

14. Like the Overview (paragraph 144) we believe that trade-offs can and should be made; but we would underline that Management will need to be decisive in ensuring that areas of patent inefficiency should be tackled, including in difficult areas such as the balance of staffing both by type and between Rome and the field. We note the persistent finding of the evaluation that internal processes are rigid and over-complex, whether in the areas of QE and QA, in the overlap of management committees, in relation to budgeting and results management or even in routine business processes.[161] This reflects a culture that appears highly risk-averse, and prone to administrative over-engineering. Management may need support from the Board in addressing some of these challenges.

[160] This is so whether output efficiency is measured in terms of administrative expenditure as a proportion of programme expenditure – 22 per cent according to a study quoted in annex 4 – or even on the measure chosen by the Board of the percentage of the annual administrative budget as a percentage of the US dollar value of its programme of work of loans and grants. Commendable reductions have been made against this second parameter, although this measure lowers the 'penalty' on slow programme spending.

[161] We note the judgment that, for example, "There is considerable scope for streamlining some major ADM processes. For example, the available process map for travel shows a total of 43 steps beginning from the traveler initiating the process until the reimbursement of travel expenses exceeding the travel advance. The proposed new procurement process map depicts a process with up to 20 steps to initiate a purchase order for procurements valued at between €10,000 and €50,000. The process for joint tender with other Rome-based UN agencies comprises 26 steps to issue a purchase order." (Paragraph 97, Main Report).

Reflections on this evaluation

15. We believe that it is to IFAD's credit that it commissioned a serious evaluation of its efficiency. It opted for a very wide scope, which usefully lifted the study beyond what a typical operational evaluation report or a management consultancy report might have achieved. It considered the efficiency not only of delivery of outputs (important though this is) but also of outcomes and impact. The scale and depth of the review implied a very heavy commitment for the organization as a whole, and of course particularly so for IOE. From our perspective, we consider that this has been a valuable experiment which reflects credit on the consultants, on IOE and on IFAD as a whole. We are pleased to have been associated with it.

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11 IFAD Management response

I. Introduction

1. Management welcomes the opportunity to provide its response to the final report on the corporate-level evaluation on IFAD's efficiency (CLEE).[162] Management had provided extensive comments to IOE on earlier drafts of the CLEE. Management is pleased that IOE has responded to some of Management's concerns. Other concerns regarding methodology and data have, however, not been taken into account in the final report. These will be discussed in greater detail below.

2. As the CLEE notes, improving IFAD's efficiency has been a central concern of both the governing bodies and Management of the Fund. In 2009, Management introduced the Change and Reform Agenda (CRA) with the goal of making IFAD a "... more effective, efficient and agile institution". In the course of the Ninth Replenishment Consultations, Management, at the request of Deputies, tabled a paper on "Managing for Efficiency" (REP.IX/3/R.2). This provided the basis for the specific efficiency-related commitments made by the Fund for the IFAD9 period (see appendix 1).

3. One of the commitments made under IFAD9 is to "*… integrate the recommendations of the corporate-level evaluation of the Fund's efficiency into the CRA and strengthening indicators used to measure performance with respect to efficiency.*" Accordingly, Management proposes to include in its plan for enhancing the Fund's efficiency many of the recommendations that the CLEE has made.

4. Management, does not however believe, there is a need for a separate "Action Plan" for efficiency as the basic outlines of such a plan have been agreed in the IFAD9 Replenishment Consultations and integrated into IFAD's Results Measurement Framework (RMF). Reporting on the progress made in implementing these various measures will be made through the normal reporting mechanisms such as the annual Report on Development Effectiveness (RIDE). The agreed recommendations (see section III below) will also be tracked through PRISMA and reported to the Board as per established practice.

5. Management's response to the CLEE is organized as follows. In section II, Management's overall assessment of the Report is provided. Management's remaining concerns and disagreements with the approach of the CLEE and some of its major findings are also discussed. In section III, Management's agreements with the CLEE are presented as well as the actions that Management will take to implement the recommendations of the CLEE. Management's response to the seven principle recommendations of the CLEE is presented in section IV.

II. Management's overall assessment, concerns and disagreements

6. **Context:** Management believes the final CLEE report now provides a more accurate and balanced context for IFAD's operations. The Report notes the hybrid nature of IFAD – a United Nations agency that however operates as an international financial institution (IFI). These have clear implications on the Fund's efficiency. The Report also takes into account the important operational changes that have occurred in IFAD following the 2005 Independent External Evaluation of IFAD, as well as the organizational and management transformations that have taken place in the Fund following the adoption of the Change and Reform Agenda (CRA) in 2009. These provide the essential context for any analysis of IFAD operations and for evaluating IFAD's institutional efficiency and programme efficiency.

7. **Conceptual and methodological weaknesses**. In its comments on earlier drafts, Management had, however, indicted its concerns on the conceptual and methodological weaknesses of the Report. It had noted that in the absence of hard data and quantitative analysis, the Report had a tendency to rely heavily on opinions and views for its conclusions and recommendations. These concerns remain. Thus, while a number of the observations of the Report are worthy of further investigation and action, Management does not accept the claim that that the findings of the CLEE are robust (para 18). The CLEE itself had noted in the draft final version of the Report that "*… the related findings may not merit the stringent standards of evidentiary basis needed to establish accountabilities for the past performance.*"

8. Management is raising this issue not because it disagrees with all the observations and

[162] IOE, corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations (EC 2013/76/W.P.4 (8 March 2013)).

recommendations of the CLEE, but to caution that many of these observations and recommendations remain judgement calls and opinions and are not adequately supported by data and analysis. In trying to implement the CLEE's recommendations, Management will therefore need to corroborate their validity through further studies.

9. **Estimating project efficiency.** The Report bases most of its critique of IFAD-financed project efficiency using faulty data. The data used for the analysis is that of the IOE ARRI database which was presented to the Board in December 2012. However, as Management pointed out in its response to the 2012 ARRI, of the 24 projects evaluated, 45 per cent were approved on or before 1999, and an additional 44 per cent before 2004. Despite the fact that 89 per cent of the projects were approved on or before 2004, the CLEE nonetheless concludes that "the data indicates no discernible improvements since around 2006 in the efficiency of IFAD-supported projects."

10. Further, the CLEE states that only 55 per cent of projects are moderately satisfactory or better on project efficiency – evidently a major conclusion. In contrast, the PCRs show that in 2011, 70 per cent of the projects reviewed were moderately satisfactory or better (against 2012 target of 75 per cent). Further, while the Quality Assurance (QA) process does not specifically measure project efficiency, it rates projects against the expected overall performance. In the review cycle ending June 2012, QA reviewed 32 projects and assigned 90 per cent of the projects as moderately satisfactory or better against that indicator.

11. The result of the use of faulty data is that several of the subsidiary conclusions are also faulty, notably that "many project designs suffer from complexity linked to multiple objectives and components, large geographical dispersion and unclear institutional arrangements." While these conclusions were certainly true for a sizeable proportion of the ARRI 2012 24-project sample, this sample does not reflect IFAD projects designed since 2006. Paragraph 39 purports to substantiate the report's findings by saying that "of the 46 projects presented for QE during 2011, 5 projects had no financial/economic analysis at all and analyses in almost three-quarters of the projects needed substantial improvements." While true, 5 projects of 46 reviewed are only 10 per cent of the total. Conversely, this meant that nearly 90 per cent had such analysis. Thirdly, Management has required that all new projects undertake an economic and financial analysis and Management assesses the adequacy of such in new projects at the QA stage and subsequently during supervision.

12. **Benchmarking.** In development practice, where multiple criteria are used in judging performance, there is always an element of 'trade-offs' between various competing objectives. A case in point is IFAD's mandate to serve the poor rural areas which have suffered historically from low investments in economic as well as social sectors and thus lack even basic infrastructure. The report alludes to this (para 37, Overview) but fails to make a conscious effort to do a proper analysis that would make the benchmark comparison of IFAD's performance vis-à-vis other IFIs possible. On the contrary, the report recommends that IFAD "raise the bar for IFAD's own performance as a partner… and achieve satisfactory or highly satisfactory evaluation ratings for IFAD's own performance." (para 194). This key recommendation is made despite the decision made in the Ninth Replenishment to keep the target as moderately satisfactory or better. It will be recalled that this decision was taken to remain consistent with the targets of all other IFIs.

13. **Budget neutrality of the Report's recommendations and possible impact on efficiency.** The Report makes a number of important recommendations – such as improving the design of projects at entry, enhancing the capacity of recipient governments, increased policy dialogue, etc. – which it acknowledges are not all *budget neutral*. Nonetheless, the Report makes the bold statement that *"CLE … estimates that there is sufficiency budget flexibility so that even in a flat-budgeted scenario, there is room for efficiency gains and reallocations that would allow implementation to start in the current replenishment period"* (para 202). As the issue of returns for investment and related trade-offs (i.e. what should be given up to implement the recommendations of the CLEE) are clearly at the heart of any efficiency discussion, Management finds it unsatisfactory that such a bold assertion is made without a clear demonstration of its feasibility.

14. **Efficiency Indicators.** Management also notes that the Report now contains a section on indicators to assess project and institutional efficiency. IFAD Management has reviewed the suggested indicators for measuring project and institutional efficiency (see box on page 91). Its comments against each suggested indicator

are presented in appendix 2. As can be seen, of the 12 indicators, three are part of existing measurement system and three are extensions of that by making them ex ante or ex post. Of the remaining six, five would either generate unreliable measure given a very small sample (use of CPEs or assessing IFAD performance at project entry) or would be unjustifiably costly to measure. And one proposed indicator would encourage inefficiency rather than efficiency (making outputs units rather than output value as the basis for budgeting).

III. Management's agreements and proposed actions

Programme management

15. Management appreciates IOE for collecting, synthesizing and analysing some additional information and arriving at the following conclusions: (i) IOE's country programme evaluations have "rated IFAD in the satisfactory zone, putting IFAD well ahead of the performance of other MDBs' (para 32); (ii) PMD is building in-house capacity by providing training and improving project documentation, including completion reports (para 47);, and (iii) commendable progress made in the Fund's self-evaluation system (para 45). Management agrees with the CLEE finding that "the country presence and direct supervision… have improved the quality of implementation support…"

16. Management also agrees with the statement made with respect to the evolution of IFAD from a project-driven institution to an agency which goes 'beyond projects'. As is the case for project efficiency, more recent projects, designed after these objectives were agreed to by IFAD members, are doing better on this score.

17. **Performance-based allocation system.** Although not the focus of the evaluation, IFAD's PBAS and country selectivity are evaluated, and pertinent recommendations made (para 195). While IFAD Management reiterates its position that scaling up is 'mission critical', it is concerned by the possibility that linking PBAS for leveraging financing through cost sharing with the borrowing governments may lead to a *lower allocation of resources to Least Developed_Countries* whose ability to share cost is limited. This will reverse the recent gain that Least Developed Countries have made in accessing IFAD's resources.

18. Management also agrees with the Report that it should be reasonable to expect higher cost-sharing from the middle-income countries. However, the strong growth in domestic co-financing is already evident in recent years in middle income countries. It is also noteworthy that despite the reduction in the volume of aid for agricultural and rural development, IFAD achieved the cofinancing target agreed with its members in the Eighth Replenishment Consultation (US$1.5 of cofinancing per US$1.0 of IFAD loan or grant.

19. **County selectivity**. Management agrees with the finding that IFAD in general suffers from the low scale of economies in its operation and the PBAS process contributes to that by awarding a small allocation to 30 very small countries. *More country selectivity therefore can help enhance institutional efficiency*. It is however important to keep in mind that such an approach would go against the mandate and mission of IFAD to serve all of its borrowing members. In other words, delivering results according to IFAD's mandate is a relatively more expensive proposition.

20. **Project design costs.** The report states that both ADB and the World Bank benefit from the project processing funding by the Japanese Government, and that IFAD does not benefit from such extra budgetary funding. Management agrees that IFAD's project design process is under-funded as it relies exclusively on its own administrative budget. This has implications for the overall quality of the project design and explains the lack of readiness at approval and design modifications noted by QA. Management agrees that there is a need to look for extra budgetary funds to support detailed project design and to address implementation problems in projects which cannot be dealt with through normal IFAD project supervision.

21. **CPM model and the use of consultants**. In the past, CPMs in IFAD acted primarily as process managers, as noted in the report (para 57). With the opportunity that IFAD's changed policy on project supervision offered, most CPMs have responded very positively and have willingly accepted to lead supervision missions. This process was backed-up by an intensive in-house training programme. This has helped IFAD to eliminate the need for cooperating institutions, which were acting mainly as consulting firms. Realizing the risk of limited institutional learning that would arise from over-reliance on consultants, PMD increased the number of staff members in the last two years and this process may continue in the future. There is, however, a limit to this process, as it is not economical to recruit a full-time staff to cater to a speciality service required for limited duration.

22. **Reducing the number of borrowing countries**. In keeping with IFAD's Medium-term Plan for 2013-15, IFAD Management will make *further effort in reducing the number of borrowing countries* in future replenishment periods. This effort will be complemented by providing grants, sharing knowledge on rural poverty, and offering supervision services for development projects, etc. to the Member States agreeing not to borrow from IFAD. The approval of the EB Working Group on PBAS will be sought in any changes to PBAS-related policies and procedures.

23. **Policy dialogue, knowledge-sharing and partnerships**. Despite severe financial and human resources constraints that IFAD faces in engaging in policy dialogue, IFAD Management has started building its capacity, where appropriate, to understand policy gaps and in-country policy processes and engage in dialogue with various in-country stakeholders, and will continue to do so. Currently policy dialogue, knowledge-sharing and partnerships are not part of the results framework and are thus not measured under the self-evaluation system. In view of their increasing importance, IFAD Management will include these as additional performance criteria in the project completion reports to be prepared beginning 1 January 2014.

24. **Customization of programmes**. On the issue of insufficient *customization to the respective country context*, IFAD Management believes that while the project approach IFAD has adopted enables sufficient customization, the instruments and resources available are not always appropriate or adequate to respond to the demand of the countries or projects in fragile situations or those that are performing weakly. A proposal for creating a multi-donor trust fund will be put forward to the Board in order to mobilize additional resources for providing additional technical assistance to the said category of projects and countries.

25. Similarly, more emphasis would be put on developing additional knowledge products and sharing them with MICs. Likewise, findings related to the questionable usefulness of a formal COSOP in countries with a relatively smaller programme and the need for engaging in a COSOP process with "less administrative process" (para 36) are relevant. IFAD Management will revise and implement revised guidelines for COSOPs. Similarly, IFAD Management will try to limit the work related to the development and revision of the policy papers, also keeping in mind the process culture these papers may inadvertently encourage.

26. **Project efficiency**. With respect to project efficiency, IFAD will continue strengthening its capacity to support rigorous economic analyses – both ex ante during project design and ex post during the project completion review. This will not only help build awareness and commitment to achieve greater economic efficiency, but also to obtain more data and information which is the main constraint in assessing performance.

27. **Grants and knowledge management**. In view of the shortcomings in some areas of grants and knowledge management, IFAD Management has recently issued an interim procedure for grants that aims at introducing stronger strategic direction to IFAD's grant programme and adding emphasis on higher quality at entry, closer supervision during implementation and more systematic grant completion reviews. Once the independent evaluation of the Grants Policy is completed, IFAD management will engage into further improvements in its Grants Policy and Procedures and the overall grants programme.

28. **Use of consultants**. Realizing the risk of limited institutional learning that would arise from over-reliance on consultants, PMD increased the number of staff members in the last two years and this process will continue in future. The substitution (of consultants with staff) argument mentioned (para 61) has some validity and IFAD Management will review and take appropriate action as part of the annual work programme and budget exercise. There is, however, a limit to this process, as it is not economical to recruit a full-time staff to cater to a speciality service required for a limited period.

29. **CPM leadership of all missions**. The recommendation that CPMs normally lead 'all major operational missions' (para 195) is not practical at this stage given the relatively small number of CPMs employed by IFAD. CPMs, will, however, continue to be accountable for leading the majority of the operational missions and for ensuring that these missions take place and effectively deliver expected results.

30. In addition, the SWP for 2013 has developed a new CPM model that should result in a better and balanced use of CPM time. This will be implemented in the coming years. We agree however on the need to balance CPM workloads, and the need for more technical staff, substituting for consultants. To this end, IFAD management will also: (i) strengthen the monitoring of the quantity and quality of the mission outputs, and (ii) review periodically and balance workload among available CPMs.

31. **Staff training and development**. In addition, IFAD will further intensify the staff training and development programme, instituting e-learning programmes where applicable on project design, supervision, financial management and procurement reviews in order to improve implementation readiness at the time of approval as well as generally improving implementation performance. To that end, it will also review the impact of its recently revised QE process and fine-tune as necessary.

32. **Country office management**. IFAD has established its country offices with a clear objective of 'contributing to better development effectiveness with improved cost efficiency'. (Country Presence Policy and Strategy, para 37) The size of these offices will continue to be small. The budget allocation for these offices is only US$12.5 million or only about 8.7 per cent of IFAD's total budget for 2013. As staff unit costs are significantly lower in the country offices, they account for about 18 per cent of the total staff positions approved for 2013. In other words, financial outlay for the ICOs is relatively small. The potential contribution ICOs can make is very significant, however. To IFAD Management ICOs offer an organizational solution for higher development effectiveness in short to long term and cost effectiveness in the medium to long term. In this light, IFAD Management will implement some of the more strategic recommendations presented in paragraph 196 of the report.

33. **Strengthening the RMF**. On the principles suggested for strengthening IFAD9 Results Measurement System (para 186), IFAD Management has the following comments:
    - On impact indicators and monitoring of 80 million people, it has already submitted an information paper to the Board outlining the methodology;
    - The scaling-up indicators is monitored qualitatively annually through the country programme issue sheet;
    - Non-lending activities such as policy dialogue will be added in the measurement set (paragraph 21 above);
    - On operational aspects, both number and values are monitored and IFAD will continue to do so;
    - While segregating the performance of ICOs would not be feasible (para 28 above), IFAD Management closely monitors their performance as part of annual country programme and portfolio reviews;
    - IFAD management regularly uses the IOE data to find out disconnect and reports.

34. **Accountability and results reporting**. As noted by in the evaluation report IFAD has devoted 'unprecedented attention to portfolio performance reviews and management, underpinned by a comprehensive and improving self-evaluation system.' (Overview, para 67). This proves IFAD Management's unfaltering commitment to rigorously track its institutional performance as well the programme performance, analyse the performance trends and underlying causes for areas showing under-performance, and then work towards improving performance. The recommendations related to the culture of accountability and results reporting (Para 201) will be further reviewed, elaborated, as necessary, and implemented against the backdrop of the shift in emphasis 'from an approval mindset' in the past, to a more 'results-oriented' focus. (Overview, para 67).

35. **Cost implications of the CLEE recommendations**. As the implementation of the recommendations is unlikely to budget neutral, Management will estimate the budgetary impact of implementing the recommendations, including those of recruiting new technical staff, more aggressive support to government capacity, monitoring performance against expanded sets of indicators, as well as of the other interesting recommendations identified above. If the costs to implementation are found to be excessive and cannot be covered by savings, Management will discuss the trade-offs involved with the Executive Board.

Oversight and support (O&S)

36. Management welcomes the acknowledgment of the various initiatives that it has undertaken to reduce costs, contain unit budgets and improve capacity of O&S units.

37. **Expansion of O&S functions**. With regards to the expansion of O&S functions (para 93) Management wishes to underline the rationale behind the creation of new offices, namely, enhancing the Fund's effectiveness in key areas. The Financial Operations Department (FOD), for example, was created to enhance financial management. And the Strategy and Knowledge Management Department (SKM) to strengthen strategy and KM. As the CLEE notes, it is important to recall that output efficiency will not necessarily always lead to impact efficiency.

38. **Administrative costs**. The CLEE notes that the administrative budget of IFAD is higher than in most comparator institutions (para 96). While this may be the case, it is important to note two factors that account for it (i) lack of economies of scale and (ii) relativity high costs not only

for administration, but also for ITC. While Management is committed to reducing the costs of its administrative services, the costs of ITC – investments and operating costs – are likely to rise. These are needed to improve institutional efficiency, as the CLEE itself recognizes.

39. **Improving business processes**, Management agrees with the CLEE that there is considerable scope for streamlining some major administrative processes (para 95). This is one crucial area that Management will work on to streamline and improve business processes to improve the institutional efficiency of the Fund. It is a crucial pillar in the Fund's commitment to enhance its institutional efficiency.

40. **Role of ICT**. Management also agrees with many of the observations of the CLEE on ICT (para 99). Management is committed to improve the Fund's ICT system, particularly to make it integrated and improve enterprise information visibility.

Managing results, budget and people

41. Management has deep reservations on this part of the Report, as it believes the Report continues to underestimate the work that has gone in setting a RMF, and the new approaches that have been adopted in budget management and in managing people.

42. **Results Measurement Framework.** The Report claims that the link between IFAD's RMF and expected and actual results and operational work programmes are not clearly delineated. While agreeing that there is a need to strengthen such linkages Management believes that the analysis ignores the relations established between the RMF, the Divisional Management Results (DMRs), the divisional key performance indicators, and the staff performance plans.

43. While the difficulties in gathering reliable data through RIMS has some validity, the issue goes to the resource constraints of IFAD's administrative budget and the inadequacy of project finance to build robust M&E capacity at the country level. Nonetheless, Management is committed to improving the quality of RIMS data.

44. **Results-based budgeting**. Similarly, the various statement on budgeting minimize some of the key strategic decisions that have been made in the past as well as the clear priority setting and strategic choices that have been made in the preparation of the 2013 budget. Under IFAD8, much effort was made to constrain the budgets of O&S units and increase the budget for PMD and related activities. The delivery of the IFAD8 work programme and the results achieved was largely due to this shift of resources.

45. For 2013, budgets of all Divisions were initially constrained at the 92.5 per cent level (given a flat budget scenario) to identify the trade-offs involved within each Division and across IFAD. The work force requirements of each Division to deliver on its work programme taking into account business process changes were undertaken in the context of the Strategic Workforce Planning exercise. And final allocation of resources were made taking these trade-offs and workforce requirements into account. Despite this progress, Management is committed to setting up a robust results-based budgeting system in the near future.

46. Management agrees on the need to strengthen the budget unit (para 114) within IFAD and has made provisions in the 2013 budget to establish a beefed up Budget and Organizational Development Unit (BOD) reporting directly to the Vice President.

47. **Managing people**. The CLEE provides a comprehensive account of the framework within which IFAD operates. Many of the issues raised in the report are being tackled in the context of the SWP. The SWP exercise will be an annual planning exercise and will be linked to the budget exercise. Issues such as the workload of CPMs, out posting of CPMs, span of control, strategic management of the workforce of ICOs, etc. are all being tackled through the SWP.

48. Management acknowledges the findings of the need for better staff and career development, the importance of putting in place a stronger accountability framework, and the need to elevate staff performance. Management will indeed encourage all managers to challenge poor performance. It is considering introducing a more robust rewards system while challenging more vigorously poor performance.

Organization, leadership and decision-making

49. Management is committed to improving business processes and is willing to reconsider the number of committees and working groups. It is also streamlining the relations between the EMC and OMC to minimize some of the issues identified in the Report. In addition, as part of its efficiency drive, Management will strive to improve business processes through a more robust ICT system. Management will also be looking into introducing performance and accountability contracts to promote managing for efficiency.

Governing Bodies

50. While Management does not wish to respond to the CLEE's findings on the workings of IFAD's governing bodies, it does support the proposal to delegate approval of projects to the President (para 170). It however does not support holding the Governing Council every two years (para 167). The GC is increasingly becoming a forum for debate and discussions on major agricultural and rural development issues demonstrated by the GCs held in 2012 and 2013. Also, holding the GC every two years could remove the spotlight from smallholder farming, jeopardizing the scaling-up agenda that the Fund is currently pursuing.

IV. Management's response to the overarching objective and the seven recommendations

51. **Overarching objective: Raising the bar**. Management agrees that IFAD should strive for excellence and for scaled-up impact. It does not however agree that changes be made to the agreed system of rating its programmes and projects.

52. **Recommendation 1: Scaling up of high impact, innovative approaches.** This is indeed the goal that IFAD has accepted in its Strategic Framework and in the IFAD9 consultations.

53. **Recommendation 2: Clear vision for country presence.** Management accepts this recommendation and it is one that is has been sharpening from year to year.

54. **Recommendation 3: Increase service quality and cost efficiency in O&S units**. Management accepts this recommendation and it is one that has engaged it since the launch of the Change and Reform Agenda.

55. **Recommendation 4: Better manage scarce budgetary resources towards high-quality results.** Management accepts this recommendation as it is an ongoing effort since the introduction of results-based budgeting in IFAD in 2010.

56. **Recommendation 5: Manage strategically the skills composition, cost, and performance of the workforce**. Management accepts this recommendation as these elements have been part of the HR reform efforts since 2009 culminating in the robust job audit and strategic workforce planning exercise in 2012. The efforts will continue.

57. **Recommendation 6: Focus oversight by governing bodies on key strategic issues** (this a matter for the governing bodies to consider).

58. **Recommendation 7: Instil an institutional culture of accountability and performance and strengthen the reporting for results**. Management accepts this recommendation as it implies a strengthening of ongoing efforts.

IFAD9 Commitments to Improve the Fund's Efficiency

1. Introduce a fit-for-purpose staff time recording system;
2. Develop key business process efficiency indicators and benchmarks;
3. Assess the value-added of business processes;
4. Integrate the recommendations of the corporate-level evaluation of the Fund's efficiency into the CRA and strengthen indicators used to measure performance with respect to efficiency;
5. Streamline the Fund's processes and workflows through adoption of improved information and communication technologies;
6. Report on progress against IFAD9 efficiency targets; and
7. Liaise with the Executive Board to explore opportunities to reduce costs associated with the operation of IFAD's governing bodies.[163]

[163] See Report on the Consultation on the Ninth Replenishment of IFAD's Resources.

Appendix 2 to Annex 11

Indicator	Definition	Explanation/Remarks	Management Comments
I. Impact Efficiency	POW/Number of rural poor moved out of poverty	**Ex ante**, based on rolling cohort of 50 most recently approved projects **Ex post** indicator could be added in time Based on RMF 2.3.1	IFAD needs to work on the methodology for this indicator. The cohort should consist of all projects approved in a year (about 35) to avoid any arbitrary decision.
II. Reach Efficiency	Disbursement/number of rural poor reached	**Ex post**	This is possible to measure within the existing monitoring system (RIMS & LGS).
III. Country programme outcome efficiency - Overall	Per cent of COSOPs rated satisfactory or better Based on RMF 4.1.1	**Ex ante** from COSOP at entry, **Current** from COSOP Status Reports (new), **Ex post** from CPEs	The current CPIS, which also includes the current COSOP, assesses performance in five areas, which should be sufficient. CPEs continue assessing COSOP performance although the sample size is grossly inadequate (2-4/year) to present a portfolio-wide assessment.
IV. Country programme outcome efficiency – Scaling up	Per cent of COSOPs rated satisfactory or better with respect to scaling up	New, Ex ante, current and Ex post as above	Methodological issue in using CPEs, as above.
V. Partnership Efficiency/ Cofinancing Efficiency	Cofinancing ratio	RMF 4.6.1	Existing metrics.
VI. Institutional Efficiency	Ratio of administrative expenditure (including from fees) to a "weighted" number of programme outputs	New, based on the fact that costs relate more to number of outputs than to related US$ value	This will incentivise numerous low value outputs which will encourage inefficiency than efficiency. IFAD needs to aim for better scale of economies to the extent possible while remaining within its mandate. It goes against the basic finding of the evaluation (para 188, Appendix I)
VII. Institutional Efficiency II	Ratio of administrative expenditure (including from fees) to POLG augmented by the value of programmes and projects managed by IFAD but funded by others	RMF 5.4.5, **ex ante** based on Plan and budget and **ex post** based on actuals	This was meant to be ex post. So ex ante is additional. Adds little or no value in view of existing RMF 5.4 viz. improved administrative efficiency.
VIII. Unit Direct Costs of Programme Outputs	Cost/output for each output category in course of year	**Ex ante** based on Plan and budget, **ex post** based on actual; needs TRS to be in place	This indicator would not work without a reliable outputs obtained from Time recording system. In addition, contextual variation makes making comparisons/ establishing benchmarks difficult. Overall, value addition will be little as the link to outcomes/impact is also very tenuous.
IX. IFAD Performance	Per cent of Projects for which IFAD performance is rated satisfactory or better	**Ex ante** QAE, Current from PSR/ARPP, **Ex post** from ARRI	Ex ante QAE assessment would be very unreliable. Currently is assessed in PCRs which ARRI also uses. This should be adequate. The change of scale (from 4 to 5) is against the practices of IFIs.
X. Country Presence (ICO) Efficiency	Ratio of per cent contribution of ICOs to PMD output to per cent PMD budget allocated to ICOs		As ICOs are integral part of the country programme they are involved in many processes and segregating their contribution is extremely difficult, if not impossible. Also, measuring performance at output level is not always desirable.
XI. Share of Budget to each cluster		RMF 5.4.2, **ex ante** based on Plan and budget and **ex post** based on actual expenditures	It adds also ex post. Doable: value addition is low.
XII. Ratio of Actual GS costs to total staff costs		RMF 5.4.8	Existing metrics.

12 Excerpts from the report of the Chairperson of the seventy-sixth session of the Evaluation Committee to the Executive Board

1. **Corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations.** The Committee discussed document EC 2013/76/W.P.4 and addenda 1 and 2 of the corporate-level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations. The Committee expressed their thorough appreciation to IOE for a "ground breaking" and high-quality final report on the corporate-level evaluation on IFAD's efficiency, the first of its kind among multilateral and bilateral development organizations. Among other issues, it noted the report provided an opportunity to better understand IFAD and a useful basis for moving forward.

2. It took note of the positive comments in the joint senior advisers' report on the quality of the evaluation and welcomed the IFAD Management response thereon.

3. The Committee was encouraged by Management's constructive and forward-looking approach and agreement with the evaluation's main findings and recommendations. The Committee also appreciated the initiatives being undertaken to achieve the aims highlighted by the evaluation.

4. Given the wide ranging nature of the evaluation, members suggested the importance of identifying further opportunities for more detailed discussion on the evaluation in the future. Members also felt that the Committee needed to deliberate further on the governance-related issues prior to the Executive Board session in September 2013.

5. The Committee noted that there were only very few areas of disagreement between Management and IOE. One such area related to the age of the cohort of projects evaluated and the difficulty in drawing overarching conclusions on the basis of the data presented. In this regard, members underscored the need to address existing data constraints to facilitate both self-evaluations and independent evaluations at IFAD. However, with the shift towards validation of project completion reports by IOE, and the undertaking of impact evaluations by both IOE and Management, this issue will no longer be of relevance in the future. IOE also noted the need to further strengthen both project-level monitoring and evaluation systems and IFAD's internal databases for better enterprise analytics in the future.

6. Members applauded the further development of IFAD's country presence, and the achievement of increased efficiencies to strengthen the effectiveness of country offices.

7. One member commented on the delay in the finalization of the evaluation and the lack of opportunity for governing bodies to provide comments on the draft final report. IOE acknowledged the delay, noting that this was attributable to the complexity and scope of the evaluation, and recalled that evaluations of this nature normally took around two years to complete in IFAD and in other multilateral development banks, as already discussed at the Committee's session in November 2012.

8. Some members commented on the need to reflect on the evaluation criteria used and the way they are applied in IFAD evaluations, including the rating scale adopted. In this regard, IOE clarified that discussions had already started within IOE and with IFAD Management on selected aspects of IFAD's evaluation methodology. IOE further recalled that the aim was to develop a common understanding, which also captured the Committee's perspectives and priorities, and to issue a second edition of the Evaluation Manual to be issued in 2014.

9. Management emphasized its agreement with all recommendations aimed at enhancing IFAD's performance and the underlying rationale, with the exception of the recommendation for IFAD to take the lead in adopting a higher performance benchmark than other international financial institutions (IFIs). Management reiterated the point made in the report that not all of the recommendations would be budget-neutral. Management had already recognized the need to improve IFAD's business processes, as set out in the commitments made under the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9). However some of the changes needed to be underpinned by additional investment (capital and current expenditures) and, as such, the issue of budget would need to be addressed in more detail.

10. Some members highlighted the importance of IFAD's role in driving innovation towards the scaling up of successful interventions. Management agreed, also noting the challenge posed by the need to increase efficiency while ensuring fulfilment of IFAD's mandate to assist Member States in their poverty reduction efforts.

11. Members emphasized the importance of effective and timely follow-up on evaluation recommendations. In this regard, it was agreed that the recommendations of the corporate-level evaluation should be incorporated into IFAD's Change and Reform Agenda, as agreed under IFAD9, including the issues and recommendations relative to IFAD's governing bodies. It was noted that a number of the recommendations substantiated commitments already made by Management under IFAD9. Management aimed to present a revised action plan on efficiency to the Executive Board in September 2013, after prior presentation to the Evaluation Committee. The Committee requested IOE to review the action plan and prepare written comments for consideration by the Committee and the Board. The plan should be time-bound, monitorable, and the recommendations from the corporate-level evaluation should be clearly flagged so as to facilitate tracking and reporting.

13 Excerpts from the minutes of the 108th session of the Executive Board

Corporate-level evaluation of institutional efficiency and efficiency of IFAD-funded operations

1. The Executive Board reviewed the Corporate-level evaluation of institutional efficiency and efficiency of IFAD-funded operations, inclusive of the Senior independent advisers' report, together with the IFAD Management response thereto (EB 2013/108/R.3/Rev.1 and EB 2013/108/R.3/Add.2), and noted the Evaluation Committee Chairperson's summary of the Committee's deliberations on this item.

2. The Board welcomed the preparation of this ground-breaking and very high-quality evaluation and the broad agreement between IOE and IFAD Management on the evaluation's recommendations.

3. Commending the President for initiating and IOE for having undertaken such an excellent evaluation, representatives emphasized the importance of the corporate-level evaluation (CLE), both as a guide for IFAD's continued pursuit of higher efficiency, and as an example of best practice for other institutions.

4. With respect to the evaluation methodology applied and the concerns raised by Management, and noting the ongoing discussions between IOE and the Programme Management Department on selected aspects of the methodology, some representatives underlined the need to reflect on the methodology used and its application in IFAD evaluations, including project cohort age, the ability to draw conclusions from older projects, and the rating scale adopted. In this regard, IOE clarified that the aim was to develop a common understanding in consultation with IFAD Management, which also captured the EC's perspectives and priorities, and to issue a second edition of the Evaluation Manual in 2014.

5. Turning to the recommendations contained in the report, the Board highlighted a number of issues:
   - **Country presence.** Representatives stressed the importance of a holistic approach in this respect, taking into consideration issues such as delegation of authority, staff rotation, staff motivation, skills development and ICT infrastructure and the need to ensure engagement in policy dialogue and institutional capacity-building – and the associated cost implications. Management advised that a document with an update on country presence would be submitted to a future Board session.
   - **Selectivity.** Members highlighted the importance of enhanced selectivity, noting the need to strike a delicate balance between country selectivity and thematic selectivity, while remaining true to IFAD's mandate of serving all borrowing Member States. In this respect, Management observed the inherent conflict that exists between greater country selectivity and IFAD's mandate of serving all Member States.
   - **Scaling up and innovative approaches.** There was broad agreement on the recommendations regarding scaling up of innovative approaches with a view to enhancing IFAD's outreach and impact. Management noted that it had adopted such an approach in all of its new results-based country strategic opportunities programmes (COSOPs).
   - **Sustainability and fragile states.** The issue of sustainability was emphasized in the report and representatives noted that this warranted increased attention, especially with respect to institution- and capacity-building in Member States and, in particular, in fragile states. Management responded that it would revert to the Board with a proposal for a multi-donor trust fund to channel resources to these activities and engage with FAO to benefit from its technical expertise. IOE advised that, with the Board's approval, a corporate-level evaluation on IFAD's engagement in fragile states would be carried out in 2014.
   - **Streamlining of business processes and human resources reform.** While recognizing the importance of streamlining business processes and implementing the recommendations related to human resources reform, the Board acknowledged that a lot had been done already and called for added attention to strengthening project efficiency. Management also noted that higher levels of investment in ICT would be required to achieve this objective.
   - **Budgetary implications.** Management noted that many of the recommendations were not cost-neutral, in terms of both budgetary and human resources. As such, representatives recognized the prioritization and trade-offs involved in the implementation of some recommendations. Some representatives

further noted that IFAD's Member States could be sympathetic to the cost implications and associated need for further resources. On this issue, Management underlined its determination to study and cost these recommendations to ascertain the related expenditures and potential savings, bearing in mind efficiencies at both the output and the impact levels. On the latter point, Management also outlined efficiency savings already achieved, and in answer to a query regarding IFAD's use of results-based budgeting, highlighted the need to improve the database for linking activities to outputs and results and to shift towards a medium-term budgeting exercise in order for results-based budgeting to be meaningful.

- **Governance.** There was engaged discussion on the recommendations relative to governance, which the Evaluation Committee intended to review and report on to the Board at its September 2013 session. Divergent views were expressed with regard to, inter alia:
  - Frequency of Governing Council meetings, which may be taken up by Convenors and Friends;
  - Delegation of authority for approval of the Fund's administrative budget to the Executive Board;
  - The List structure;
  - Development of a Code of Conduct for the Executive Board (it was agreed that this issue, which had been the subject of an Executive Board informal seminar, would be considered by Convenors and Friends with a view to reverting to the Executive Board);
  - Delegation to the President of approval of projects and programmes;
  - Number of Member State representatives having access to Board meetings; and
  - Rotation and membership of governing bodies.

6. Members highlighted that, in their view, the Governing Council should continue to be held on a yearly basis. The representative of the Bolivarian Republic of Venezuela requested that the minutes of the Board session reflect her country's disagreement with limiting the oversight of the governing bodies to mainly strategic issues, as proposed under recommendation 6 of the CLE. She expressed her support for Management's response to the CLE in this respect. In addition, she did not support the proposal to delegate approval of all loans and grants to the President, since the approval of resources for projects was one of the main functions of the Executive Board. Concerns in this regard were also echoed by other Board members.

7. The recommendations contained in the CLE were wide-ranging in nature: some could be implemented immediately while others would require consideration by the Executive Board and/or other governing bodies such as the Consultation on the Replenishment of IFAD's Resources. It was agreed that the recommendations of the CLE, together with the commitments undertaken for IFAD9 would be incorporated into IFAD's existing Change and Reform Agenda as agreed during the IFAD9 consultation. The recommendations would be presented in a measureable and time-bound manner, and an updated version of the action plan on enhancing IFAD's efficiency, inclusive of the CLE recommendations, would be submitted. Management undertook to present to the Board a consolidated, measurable and time-bound action plan on enhancing IFAD's efficiency in September 2013, after prior presentation to the Evaluation Committee. The recommendations derived from the CLE would be clearly flagged to facilitate monitoring. Representatives also looked forward to receiving IOE's written comments on this action plan. On the issue of follow-up, Management informed the Board that the outcomes of these recommendations would be reported primarily through the Report on IFAD's Development Effectiveness, the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions (PRISMA) and the IFAD9 midterm review.

14 Emerging Markets Forum: evaluation team of consultants

Evaluation consultants

Team leader

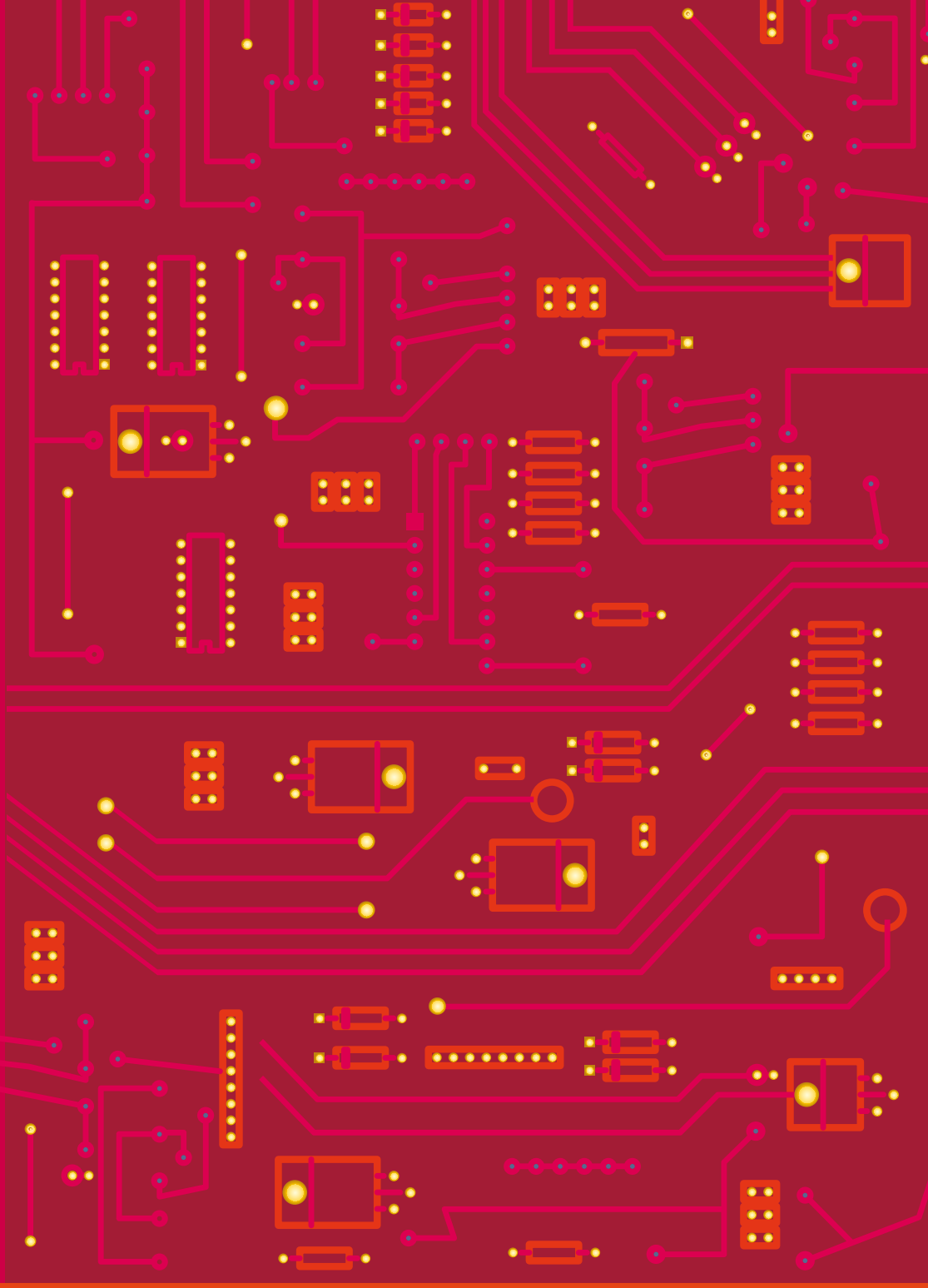
1. Anil Sood

Team members

2. Barun Chatterjee – Results and budget management, and efficiency of oversight and support units
3. Ranapratap Chegu – Information and communication technologies
4. Prem Garg – Programme (and programme management) efficiency
5. John Lavelle – People management
6. Anthony Pellegrini – Programme management (and programme) efficiency
7. Pieter Stek – IFAD governing bodies
8. Achim von Heynitz – Organizational structure, leadership and decision-making; and results and budget management
9. Charles Vuylsteke – Efficiency of IFAD legal processes
10. Guglielmo Briscese – Research analyst

National consultants

11. Wilfred Ngirwa – Country case study on the United Republic of Tanzania
12. Orlando Garner - Country case study on Honduras
13. Seydou Traoré - Country case study on Mali
14. Govindan Nair – Country case study on India
15. Ernst Schaltegger – Country case study on Uganda



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