



A GUIDE FOR PRACTITIONERS

Institutional arrangements for effective
project management and implementation

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A group of construction workers standing on a newly built road in Bangladesh.

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With IFAD project case studies

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Acronyms

4Ps	public-private-producer partnership
AWP/B	annual workplan and budget
B2B	borrower-to-beneficiary
FEDEC	Finance for Enterprise Development and Employment Creation Project
LGU	local government unit
M&E	monitoring and evaluation
MOU	memorandum of understanding
OMCI	oversight, management, coordination and implementation
PKSF	Palli Karma-Sahayak Foundation
PMU	project management unit
PSC	project steering committee
SMEs	small and medium-sized enterprises
VODP	Vegetable Oil Development Project



Introduction

Background

The primary goal of IFAD's investments is to enable rural people to sustainably improve their food and nutrition security and raise their incomes. The ability of IFAD to achieve impact on rural people's lives is determined by the ability of IFAD-supported projects and programmes¹ to sustainably deliver their intended results. This, in turn, depends on the capacity and effectiveness of the institutions that are assigned responsibility for managing the delivery of planned goods and services to project beneficiaries, including institutions responsible for project oversight, management, coordination and implementation (OMCI).

There has been some debate among development practitioners about which institutional arrangements work better than others in delivering development projects. In light of this debate, in 2013, IFAD's Policy and Technical Advisory Division (PTA) conducted a study to capture some of the lessons and good practices drawn from experience in project management arrangements, and to identify cross-cutting issues that need to be considered for better implementation performance and greater development effectiveness in the future. The study, entitled *Effective Project Management Arrangements for Agricultural Projects. A Synthesis of Selected Case Studies and Quantitative Analysis* (IFAD, 2014b; referred to as the PMU study),² drew two significant conclusions: (i) project institutional arrangements extend beyond project management units (PMUs)³ – they also include links in the borrower-to-beneficiary (B2B) institutional systems that are used to deliver the project to various beneficiary groups; and (ii) IFAD projects are diverse in nature and implemented in equally diverse environments – there is therefore no single project institutional arrangement that suits all IFAD-supported projects. Project institutional arrangements should be defined after a thorough assessment of the entire B2B institutional chain, the country context and the nature of the project.

About the guide

The purpose of this guide is to provide some generic steps and principles to be followed when setting up institutional arrangements for the management and implementation of IFAD projects. Given the varied nature of IFAD-supported projects and the environments in which they are delivered, it would be ambitious to attempt to provide generic "how to do notes" for designing project institutional arrangements. However, a review of IFAD's project implementation experiences and its various knowledge products (e.g. the PMU study; *A Field Practitioner's Guide. Institutional and Organizational Analysis and Capacity Strengthening* [IFAD, 2014a]; *Delivering Public, Private and Semi-Private Goods. Institutional Issues and Implementing Arrangements* [IFAD, 2015a]); and studies by other development partners) points to certain basic principles and analytical questions that could guide the design of institutional arrangements for project management and

1. For ease of reference, throughout this guide "project" indicates both IFAD projects and IFAD programmes.
2. Available at: <https://www.ifad.org/documents/10180/84cf8a90-263d-4485-a883-ffd7084e31d3>
3. PMUs are also known as project implementation units (PIUs), project coordination units (PCUs) and various other terms that usually encompass a similar set of tasks and responsibilities. The acronym PMU is used throughout this document.

implementation in different circumstances. It is hoped that the guide will stimulate reflection on project management, coordination and implementation, and on how institutional arrangements can be improved to ensure greater project delivery efficiency, national/local capacity-building and ownership, impacts, scaling up and sustainability of IFAD-supported projects.

Intended users

The guide is intended for use by IFAD country programme managers, country programme officers, technical specialists, country programme management teams, project implementing agencies and consultants involved in the design and implementation of IFAD-supported projects.

How to use this guide

The guide is divided into five parts. This first provides a general introduction, while the second sets the stage by outlining a series of definitions, basic features and institutional contexts. The third part presents a series of steps and analytical questions to be considered when designing institutional arrangements for projects in different circumstances. Part four outlines some generic principles based on lessons and experiences drawn from the IFAD portfolio, illustrated with particular examples from the project case studies. The fifth part is a quick reference table for users; it aligns institutional arrangements with different country contexts and different types of projects. The guide also contains useful annexes with additional information, including project case studies (annex 1) illustrating some of the fundamental components of institutional arrangements.

Definitions and context

The borrower-to-beneficiary institutional chain

Projects are implemented within an institutional framework that starts from a funding source and extends through to the intended beneficiary. The smooth functioning of this institutional organization, also known as the B2B chain, determines much of the ability of a project to meet its objectives. The PMU study describes six institutional levels found in B2B chains:

- The **financer** is IFAD and its cofinancing partners. Following a funding decision, IFAD is responsible for loan/grant administration, ensuring that required resources are made available to the project in a timely manner and at agreed disbursement levels. Timely action on key project management processes and procedures, particularly those related to fiduciary authorization and the provision of implementation support through supervision missions and other technical support mechanisms, is critical for the smooth functioning of projects.
- The **borrowing entity** is commonly the Ministry of Finance, representing the recipient government. During implementation, the active participation of the borrowing entity is important in administering the provisions of loan agreements and facilitating the flow of resources to the project. The borrowing entity also ensures that the government's own funding commitments to the project are mobilized and made available in a timely manner.
- The **executing body/lead agency** is a line ministry, usually the Ministry of Agriculture or any other suitable entity appointed by government. It serves as a host or focal point for project management and execution, and is responsible for project delivery and accountable for achievement of the project objectives. The lead agency is also responsible for building partnerships with key institutions, coordinating all project implementing agencies, and establishing formal agreements/contracts with them, where needed.
- **Implementing entities/agencies** are a key factor in the effective delivery of projects. They may include partner line ministries, local administration, specialized agencies or contracted service providers (both NGOs and private sector), community-based organizations such as women's groups and tribal institutions, and national and provincial farmer organizations. They are responsible for delivering project goods and services to beneficiaries, either under agreements such as memorandums of understanding (MOUs) and service contracts with the lead agency or through integration into existing public/local government mechanisms, structures and procedures.
- **Beneficiary organizations** are positioned as intermediaries between the project implementation entities and direct beneficiaries. They range from small and medium-sized farming enterprises, producer organizations, savings/credit unions and community-based enterprises to local councils, community/traditional development committees and village governments. They also include user groups, such as water user associations, wetlands user associations, infrastructure user and maintenance groups.

- **Direct beneficiaries** are the project or programme's target group, usually poor rural people. The group may consist entirely of farmers or a specific category of farmers, such as women's groups and tribal groups in a rural community, small enterprise operators or artisanal fishers. Beneficiaries may be differentiated according to whether public, private and/or semi-private goods and services are to be delivered. Beneficiaries of public goods financed by public funds are often selected on the basis of poverty indicators, while criteria for selecting beneficiaries to receive private and semi-private goods are more varied, taking into account not only poverty indicators but also the potential of beneficiaries to take advantage of the economic opportunities presented.

Pillars of institutional arrangements

An effective project institutional arrangement is expected to have four pillars: institutional mechanisms and instruments used in project oversight for policy and strategic guidance [O]; project management [M]; coordination of project partners and key stakeholders [C]; and implementation arrangements for delivering project goods and services to beneficiaries [I].

Oversight for policy and strategic guidance [O]. Project oversight mechanisms are included in institutional arrangements for the purpose of providing policy and strategic guidance to ensure delivery of the project outcomes and achievement of the project objectives and goals. Project oversight entities normally consist of stakeholders with a direct interest in the project. Their tasks include providing advice on workplans and budgets; monitoring the quality of the project as it develops; and providing advice (and sometimes making decisions) about changes to the project, including harmonization and alignment with government priorities and policies, regulatory environment and legislative changes. When functioning well, these entities have a positive impact on overall project management and implementation.

Project management [M]. This is an important element in institutional arrangements and a crucial determinant of efficiency in project delivery. It includes mechanisms put in place for the purpose of coordinating, planning and budgeting; financial management; procurement of works, goods and services; provision of technical and implementation support; monitoring and evaluation (M&E); reporting, communication and knowledge management. The structure, roles and responsibilities adopted for project management will vary depending on the country context and the nature of the project (complexity and type of goods/services to be delivered).

Coordination mechanisms [C]. This includes mechanisms put in place to facilitate interaction both between project stakeholders and partners and with other complementary or potentially competing initiatives being implemented in the same project area. This can also be a means of forging partnerships and exploring opportunities for scaling up potential project innovations.

Implementation/delivery arrangements [I]. This includes institutional mechanisms and structures to govern the delivery of planned project goods and services to beneficiaries or beneficiary groups. In some projects, delivery of services is handled exclusively by the public sector and its decentralized structures. In others, the public sector contracts out delivery of specific services to private-sector or non-state entities.



Steps in designing institutional arrangements

Institutional arrangements for project oversight, management coordination and implementation should be guided by a systematic process of assessment. This will help to define an optimal institutional mix that will guarantee efficiency and effectiveness in delivering goods and services to project beneficiaries, ensure achievement of the intended results, and permit evaluation of impacts and documentation of lessons learned. The four steps of the assessment process are illustrated in figure 1.

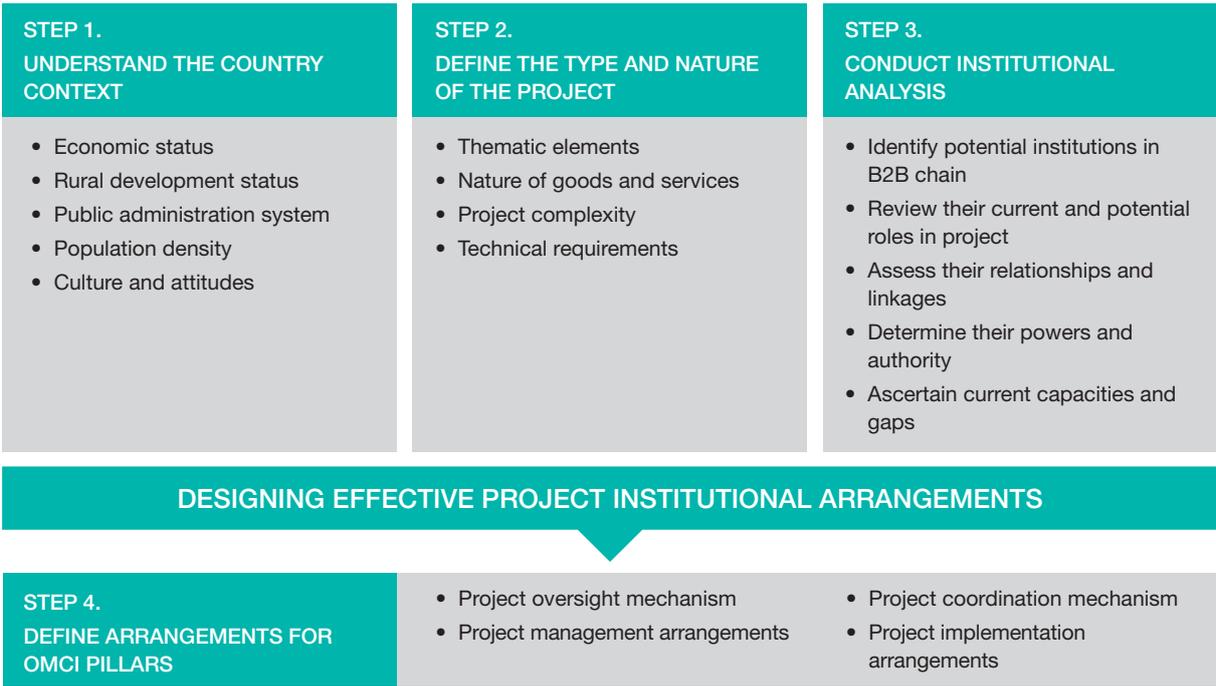
STEP 1. Understand the country context, including factors such as economic status, rural development status (infrastructure, socio-economic dynamics), public administration system (organizational structures, government policies and regulations, processes and procedures, status of private-sector and non-state actors), population density, culture and attitudes.

STEP 2. Define the type and nature of the project in terms of thematic coverage, nature of goods and services to be delivered, complexity of the project, target location and intended beneficiaries.

STEP 3. Perform institutional analysis to identify institutions along the B2B chain that could potentially be involved in the project; assess their current mandate and responsibilities and potential roles in the project; determine the institutional relationships, sectoral and intersectoral linkages and linkages between institutions, as well as their powers and authority; and assess existing capacity, gaps and capacity-building requirements.

STEP 4. Define appropriate project institutional arrangements for project oversight, management, coordination and implementation (OMCI).

Figure 1. Framework for designing institutional arrangements



STEP 1. Understand the country context

Assessment of a country context focuses on understanding the country-specific socio-economic attributes that would determine suitable institutional arrangements for delivery of the project. The assessment will consist of a review of relevant documents, such as government documents, Human Development Reports, data on economic performance (GDP growth, income per capita), poverty assessment reports and country strategic opportunities programme (COSOP) reports, in addition to consultations with key sector stakeholders. The assessment would normally be undertaken by the project design team and focus on the variables presented in box 1.

Box 1. Country context issues and implications for design

Economic status. The socio-economic status of a country (fragile or recently post-conflict country, low-income country, middle-income country) is an important dimension in defining institutional arrangements for a project. Low-income countries are often more flexible in adapting institutional structures to specific needs of projects, while middle-income countries may generally prefer to use existing public sector systems for project management and implementation. In fragile or recently post-conflict countries, the public and private sector systems may be weak or non-functioning. The general approach in such countries is to work with the “most feasible” available systems.

Rural development status. The existence and quality of rural infrastructure (roads, electricity, storage facilities and communication) will affect the ability to successfully deliver rural development projects. In some cases, it might be advisable to include investments in public goods, such as roads and other essential infrastructure, in programme design.

Public administration system. The choice of institutional arrangements needs to take into account the structure and strength of the existing public administration system, including the level of decentralization and capacity at various levels of government. Decentralized systems may require an equally decentralized institutional structure to ensure efficient delivery of the project and mechanisms that will coordinate well between the various levels, as well as capacity-building. The level of development of public sector institutions will determine the feasibility of delivering public goods using these structures. Where public sector institutions are weak, it may be more feasible to use non-state institutions such as NGOs or a mix of both, depending on their capacity. Programmes that seek to leverage private-sector services will be more successful in countries with a competitive private sector than where there are few private-sector operators.

Population density can influence project institutional arrangements and the associated types and means of service delivery. In areas that are sparsely populated, opportunities for collective action among beneficiaries can be limited. Equally, programmes with a larger private goods component will be more challenging to implement in sparsely populated areas. Available options would be to select densely populated areas for economic support programmes, such as value chain/market linkages and rural finance. Sparsely populated areas require programmes with a significant public goods element, such as water infrastructure, rural roads and agricultural development.

Culture and attitudes. Culture and attitudes are also a major determining factor when designing institutional arrangements for project implementation. In some countries that have had negative experiences of forced collective enterprises or community labour, programmes delivered through cooperatives or farmer group development/community labour contributions may not be suitable. In countries with indigenous populations, traditional community institutions with experience in addressing related issues would need to be integrated into the institutional arrangements.

Source: IFAD 2014a.

STEP 2. Define the type and nature of the project

What goods and services are to be delivered by the project?

Projects are expected to deliver goods and services that could be classified as public, private or semi-private (collective). This distinction is important in matching institutional arrangements to the type of good/service to be provided and the thematic area covered by the project (box 2).

IFAD projects deliver one or more types of goods and services, depending on their main thematic areas. A review of project objectives, outputs and types of interventions and their intended beneficiaries will guide the project team in determining the key thematic areas and associated types of goods and services to be delivered. The common thematic areas in IFAD projects and their associated goods and services are outlined below.

Agricultural production projects support interventions to increase agricultural production and productivity of crop/livestock farmers through better access to modern inputs, improved technologies, on-farm equipment, irrigation and relevant technical advice; and promote security of rights to use and management of key natural resources. Most goods and services provided under such programmes can be classified as public goods. Some elements, such as supply of inputs or farm equipment, should be considered private goods/services.

Market access projects focus on increasing smallholders' access to markets, for example through: (i) developing economic infrastructure (roads, electricity, market facilities, post-harvest storage, etc.); (ii) capacity-building of market intermediaries (traders, farmer organizations); and (iii) fostering development of equitable business partnerships between small producers and agribusinesses. Market access programmes generally provide a mix of public and private goods. Market infrastructure, for instance, would be classified as public goods, but if the main thrust of market access programmes is to support linkages with the private-sector through capacity-building and the cofinancing of investments, then these would be classified as private goods and services or, in some cases, semi-private goods.

SME development and rural finance projects include provision of business development services and/or development of sustainable financial services in rural areas. Although some state-subsidized schemes exist to build the creditworthiness and bankability of the vulnerable and extreme poor, financial services are generally associated with private-sector support activities as their objective is to enhance the operation of private-sector enterprises.

Box 2. Types of goods and services

Public goods and services are collectively owned goods/services, such as infrastructure (village water supplies, rural roads and tracks, village grain banks, roofed markets, dip tanks for livestock, fish landing sites, etc.) and common property resources, such as community land, rangelands and intangibles (agricultural research and information, intermediate technologies, extension services, etc.)

Private goods are exclusively owned by certain individuals or groups of individuals and generate benefits (almost) exclusively for them (equipment, titled land, individual or group-owned warehouses and processing facilities, etc.). This category also includes financing, leasing or rental arrangements that allow owners to acquire such goods or gain access to their use. Private goods are both exclusive and exhaustible; the demand for private goods can be managed through markets. For example, a power tiller is a private good that the owner can prevent others from using and that will eventually wear out.

Source: IFAD 2015a.

Value chain development projects combine several intervention areas ranging from production, marketing/processing to rural finance. Value chain development projects tend to support delivery of private goods, public goods and semi-private goods.

How complex is the project?

Assessment of project complexity essentially aims at understanding the diversity of intervention areas by unpacking and categorizing interventions in the project components and determining the implementation and coordination mechanisms and relevant partners and stakeholders to be involved. Project complexity generally arises from designs that seek to meet multiple objectives, often involving delivery of a mix of public and private goods and services, widespread project target areas and a wider range of stakeholders and implementation partners. The design teams need sufficient understanding of the complexity of a project so that they can reflect on the horizontal and vertical relationships between components and the respective implementing agencies, and the implementation strategy and overall coordination mechanisms needed for the project. It can also give the team some insight into how project planning and M&E will need to be executed, as well as the roles of all implementing agents and partners. Evidence-based experiences and lessons learned from previous projects are also fundamental for a better understanding of the challenges and complexity of the project, and can provide a range of already tried and tested responses.

STEP 3. Conduct institutional analysis

An institutional analysis should be undertaken along the B2B chain to identify and assess all the organizations that are likely to play different roles in the management and implementation of the project. The analysis will help the design team to understand all the entities involved in a project, the interplay between them, their roles, powers and authority, and their capacity and capacity-building requirements. The analysis should lead to the identification of:

- Key stakeholders/institutions and their potential roles in OMCI
- Potential lead agency⁴
- Potential implementation agencies and partners

Which are the key institutions and stakeholders?

The set of questions presented in box 3 will guide the design team in identifying relevant institutions/stakeholders for the project. The starting point is a broad organizational scanning exercise using information from COSOPs, lessons from past and ongoing projects, and inputs from sectoral ministries and other relevant national bodies. Depending on the intended territorial outreach of the project, the list of institutions/stakeholders should be developed to include all operational levels – national, regional and local. Particular areas of importance are the potential stakeholders and partners from the public, private and/or civil society sectors that may play different roles in the project. The final output is a summary matrix of potential institutions and their roles (annex 2), which could be presented at a stakeholder workshop for verification and additional views.

Once organizations that could be involved in implementing the project have been identified, a detailed assessment is needed of their structure, functions, existing capacity for performing their potential roles in the project/programme and capacity requirements, and their commitment to the objectives of the project.

4. Often appointed solely by the government or in consultation with IFAD.

Box 3. Guiding questions for institutions/stakeholders identification

- Will the project operate with national institutions only or with local institutions as well?
- Which public/private institutions will be involved in the project at various levels?
- What are their current institutional mandates/roles?
- Which of these institutions are likely to take up various roles in the project?
- Which institutions are potential partners of the project?
- Will the project use service providers? Who are the potential service providers?
- Will the project use beneficiary organizations as implementing agencies, which ones and what are their potential roles?

Which institutions are potential lead agencies?

The lead agency is an important element in institutional arrangements. In many instances, the government selects the lead agency for all donor-funded projects from among its institutions. In such cases, IFAD should undertake a thorough capacity assessment of the institution and identify any capacity-building requirements. In countries that authorize project financiers to select the lead agency or involve them in the selection process, a thorough institutional analysis should lead to identification of the institution(s) most suitable to serve as lead agency responsible for the overall management of the project and accountable for the achievement of project objectives. The guiding questions for the selection of a lead agency are presented in box 4. A good lead agency is one that has:

- the **mandate** from the government or a recognized authority/leader for that line of activity (and therefore has the institutional interest)
- the **governing power** to bring together all relevant stakeholders and partners
- the **necessary systems** to facilitate management and implementation of the project
- the **technical authority** to carry through the main thematic focus of the project.

For most IFAD projects, the lead agency is often the Ministry of Agriculture (including agricultural subsectors such as livestock and fisheries) or one of its related institutions (such as an agricultural research institute). The lead agency may also be a private-sector entity or some other autonomous institution, depending on the nature of the project and the country context. When deciding whether a lead agency is appropriate, the overarching institution (e.g. Ministry of Agriculture) and any other entities that will be responsible for day-to-day project management (e.g. a directorate or department) also need to be evaluated. Often, particularly where a specialist service is involved as part of a project component, leadership for that component is best assigned to a specialized institution.

Who are the potential implementing partners/agencies?

The information collected through the institutions/stakeholders identification assessment can be used to identify agencies or partners that would be appropriate for the delivery of a project or specific goods and services to project beneficiaries. The process of identifying implementing agencies should seek to determine all of the project delivery aspects presented in box 5.

Box 4. Guiding questions for the identification of a lead agency

- Which institution has the public sector mandate or is a recognized and accepted leader in the project sector/subsector?
- Which unit within this institution will actually carry out the assignment?
- Is this entity capable of managing all project components or will some components need to be assigned to other entities?
- What is the nature of the relationship between this entity and other such entities?
- How will this relationship be formalized/institutionalized?
- Does the identified lead unit (and subunits) have the required capacity (both technical and administrative) to carry out the functions envisaged?
- What lessons and experiences have been drawn from past/ongoing projects in which this institution has a similar role?
- What capacity-building is required to enable this institution to carry out the assigned functions?
- What lead time is required to build such capacities?

Box 5. Guiding questions for the assessment of implementing agencies

- What are the mandates and functions of the agency?
- Which activities would be assigned to the organization selected?
- What experience does it have in implementing the planned activity?
- How did it perform on previous similar assignments?
- What lessons have been drawn from this organization's performance in a similar role in past and current projects?
- Does the organization have sufficient human and physical resources and the technical skills needed to take on this assignment in addition to its existing workload?
- Does the organization have the administrative capacity to manage the activity?
- What capacity-building is required to enable this organization to take up additional roles envisaged in the project design?
- What intermediary arrangements are required to guarantee effective performance of the assigned roles in the short term?

STEP 4. Define arrangements for OMCI pillars

The final step is to design institutional arrangements for project oversight, management, coordination and implementation using the information and outputs from STEPS 1-3 above.

Define project oversight mechanism (O)

In general, the structure, composition and responsibilities of mechanisms adopted for project oversight will be determined by the country context and the type of project, particularly the complexity of the project.

The **country context** will determine several aspects of the oversight mechanism, including:

- *The degree of decentralized or centralized oversight.* If a country's administrative system is decentralized to local structures, such as regions, provinces, districts and local governments, it is necessary to consider establishing oversight arrangements that cascade from central to decentralized levels. It will, however, be crucial to streamline the oversight arrangements to minimize overlapping in decision-making. Capacity development needs and associated costs must be taken into account when designing both centralized and decentralized/multilayered mechanisms. For countries with centralized administrative structures, project oversight arrangements confined to central government level, preferably within the lead agency, would suffice.
- *The type and structure of oversight mechanisms.* Some countries have a policy to assign project oversight responsibilities to existing institutions rather than creating parallel project-specific structures. For example, this could be a body responsible for all IFAD projects in the country (such as the *Coordination Nationale des Projets et Programmes FIDA au Mali*) or an existing ministry or interministerial body (such as the Vegetable Oil Development Council in Uganda which has oversight role for the Vegetable Oil Development Project (see annex 1)).

The **complexity of a project** is determined by factors such as the number of components/thematic areas and the diversity of partners involved in implementation. All institutions responsible for project delivery – such as the lead agency, implementation agencies, and public and private sector bodies responsible for the thematic areas of the project – should be involved in providing oversight through appropriate mechanisms, unless they do not have sufficient capacity. It is also important (and useful) to include at least one beneficiary representative, whose views can be helpful in ensuring that the project remains relevant for beneficiaries.

The project steering committee – or PSC – is a project oversight mechanism used frequently in IFAD projects. The guiding questions for setting up a PSC are presented in box 6 and detailed notes are provided in annex 4.

Box 6. Guiding questions for setting up a project steering committee (PSC)

- Is there a need for a project-specific steering committee?
- What should the roles of the PSC be?
- Are there existing mechanisms/structures that can fulfil the role of the PSC?
- What should be the composition and structure of the PSC?
- Who should chair the PSC?
- What are the incentives for participation?
- What needs to be done to ensure the PSC remains active throughout the project and beyond?

Define project management arrangements (M)

Successful delivery of a project requires robust arrangements for its day-to-day management – particularly for planning, financial management, procurement, M&E and knowledge management. Depending on circumstances, capacities and mechanisms already in place should be considered for inclusion in the project management arrangement, even if they fall short of requirements; their capacity can be built up, where needed, rather than creating entirely new project management structures.

Again, the decision on the type of project management will be based on an assessment of several factors, including the institutional context and the type of project. The project management structure should be consistent with the country's economic status, administrative policies and structures, and the technical demands of the project, as outlined below.

Institutional context

- If a country has weak public sector administration systems, then an independent project management structure outside the project implementing agency would be most appropriate. Another option under such circumstances is to use project management entities that handle a number of projects (often financed by different donors), either as stand-alone units or semi-integrated into the organizational structure of the project implementing agency. Such arrangements are common in fragile situations or post-conflict countries, where the approach generally is to rely on non-state project management mechanisms.
- If a country has a well-developed and functional public administration system, then using public structures to manage projects would be appropriate. The options for setting up such structures include: (i) integrating/mainstreaming project management functions into the functional and organizational structure of the lead agency (e.g. specific departments or directorates); (ii) creating a designated unit composed of staff from the lead agency. How these structures are created and staffed will vary and will be influenced by existing government policy. It is important to ensure that stand-alone project management units within the existing government structure do not result in parallel remuneration, duplicate operational structures or inexperienced civil servants assigned to the units, which could in turn lead to unexpected project delivery challenges. Recruitment of staff for management units should, therefore, be competitive and staff remuneration should follow government norms.
- If public administration is decentralized to local government structures (such as provinces and districts), then it may be necessary to decentralize project management functions, as well. Decentralized arrangements would usually have a main unit at the central level and within decentralized line ministries or province/district offices. Roles and responsibilities would be distributed among centralized and decentralized units. Robust coordination systems (especially where the flow of information is concerned) will be needed to achieve maximum efficiency in project delivery. The functions of central and decentralized structures – including the decision-making structure – would need to be clearly spelled out.
- If the government prefers to harmonize management of projects in a country, then such arrangements should be considered. The proposed harmonized arrangements need to be thoroughly assessed, however, to ensure that the systems to be used are adequate to handle the specific requirements of IFAD, especially fiduciary issues. Any gaps identified need to be addressed in collaboration with the government.

Type and nature of project

- If a project is to deliver private goods and services and is to be largely implemented by contracted organizations such as NGOs or private-sector entities, then it requires high-quality tendering, contracting, contract enforcement/management and M&E skills. A stand-alone PMU with competitively recruited staff would be appropriate.
- If a project is to deliver public goods and services, then it requires expertise in public procurement and financial systems. In this case, management mainstreamed into government structures, or a dedicated unit within the lead agency staffed by civil servants, would be appropriate.
- If a project is complex (e.g. covers several components/thematic areas and involves a diversity of activities *and* of partners/institutions and vast implementation structures), then it requires a management structure that would allow effective coordination of project partners (see the section below on coordination mechanisms), and provision of timely and adequate technical backstopping to a range of project implementing entities. In this situation, a standalone PMU staffed by technical experts to handle each thematic area would be appropriate.
- If a project covers themes such as value chain development, SME development and rural finance, it requires a PMU with specialized skills. It may be necessary to establish specialized units or existing organizations outside a PMU to manage components for these thematic areas.

Overall, most IFAD projects are managed by designated PMUs. The forms, structures and guiding principles of PMUs can be found in the PMU study and are summarized in box 7.

Box 7. Key considerations in setting up PMUs

- PMUs require dedicated full-time manpower to be able to focus on their specific roles without distraction.
- An inexperienced project director could undermine the performance of a project. Priority should always be given to the skills and experience of potential project directors during the recruitment/selection process.
- The PMU staff composition should be consistent with the technical demands of the project, as well as M&E, procurement and financial management requirements. Certain themes, such as value chain development, SME development and rural finance, require a PMU with a specialized skills set.
- Ideally, PMU staff should be recruited competitively. Such recruitment processes allow the selection of “best-fit” personnel to provide the skills and qualifications required, even where they are recruited from within government.
- It is equally necessary to consider introducing performance-based contracts in order to ensure good performance of a PMU. Job descriptions and contracts for project management or technical staff need to be clearly structured, setting out expected results and deliverables, together with measurable performance and milestone indicators. This allows swift action to be taken in the case of poor performance.
- Projects with complex structures, involving multiple components and active stakeholders, require PMUs that facilitate implementation of the planned components. This could include PMUs with decentralized structures or semi-autonomous subunits coordinating the various components.
- When setting up PMU structures with multiple subunits, cost implications need to be taken into consideration, as do the implications in terms of efficiency in delivering the project.

Define project coordination mechanisms (C)

The need for horizontal and vertical project coordination increases with the number of components, sectors and stakeholder institutions involved. An assessment of the B2B institutional chain is crucial when making a judgement about how much internal and external project coordination is required. Internal coordination of project implementation agencies and partners is normally the responsibility of a PMU or its equivalent, which ensures harmonized implementation approaches and strategies. Several mechanisms that bring together all implementing agencies and partners, such as annual joint project implementation reviews, are useful in ensuring regular interaction. External coordination with other similar initiatives is equally important because it allows partnerships and learning from each other. External coordination is the responsibility of the lead agency and IFAD. It is good practice to use existing coordination structures and mechanisms within the lead agency and/or within the sector, such as sectoral stakeholder coordination forums, intersectoral coordination mechanisms and donor coordination avenues. For example, in the Vegetable Oil Development Project, the Uganda Oilseeds Subsector Platform serves as the mechanism for facilitating coordination within both the sector and the project. In Tanzania, the Donors Agriculture Working Group serves as a mechanism for dialogue with other donors in the sector.

The choice of coordination mechanism will be determined mainly by:

- Country institutional structure: centralized or decentralized
- Project objectives, scope and coverage (components, geographical coverage and intersectoral coverage)
- Number and location of internal and external institutions/stakeholders and partners involved in project delivery.

If a country has decentralized local government structures or the project is implemented in geographically dispersed areas, decentralized project coordination mechanisms need to be set up at all levels (e.g. national, provincial/regional or district) (see annex 3). For example, in the Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) in Rwanda, special stakeholder coordination mechanisms were established under the local authority, in alignment with the decentralized structures (box 8).

Box 8. PAPSTA in Rwanda – Decentralized coordination mechanisms

Under PAPSTA and following the government's new policy, all activities related to planning, mobilization and implementation were to be undertaken with the help of decentralized administrations and grass-roots farmers' organizations. Local management and supervision committees representing all stakeholders in each watershed area were created. Provision was made to strengthen these decentralized institutions through technical assistance, training and study tours. The committees assumed a central role in project implementation, serving as the major decision-making planning and monitoring body. A key lesson learned is that capacity-building is to be considered indispensable in enabling such bodies to discharge their responsibilities effectively.

If a project covers a wide range of thematic areas, such as those of value chain projects, its design should include a coordination mechanism that brings together different actors along the value chain. Commonly used models include:

Stakeholder coordination platforms. These are increasingly used as mechanisms for stakeholder coordination in value chain projects to build partnerships through joint planning, learning/sharing, and M&E of value chain development interventions. Such platforms are often facilitated by the public sector through service contract arrangements with NGOs or with mixed institutions such as chambers of trade, chambers of agriculture or other umbrella bodies of trade associations. In the Northern Rural Growth Programme in Ghana, district value chains coordination committees have been set up with support from an NGO to coordinate actors in the value chains. In the Rural Financial Services and Marketing Programme in the Republic of Moldova, project coordination has been undertaken through value chain development platforms, which have been effective in bringing together the major stakeholders along the value chain to make the most of synergies.

Value chain lead firm. Value chain coordination can also be achieved through a lead firm.

In such models, coordination is mainly vertical, with the lead firm exercising control over the relationship with other value chain actors. The public-private-producer partnership (4Ps) arrangement in the Uganda VODP is an example of a vertical coordination arrangement.

Define project implementation arrangements

Project implementing agencies are responsible for the delivery of planned goods and services to the beneficiaries or beneficiary groups. Proper selection of such agencies and their correct matching to the type of goods and services is important for the successful implementation of projects (box 9). During project design, a mapping exercise should be carried out to identify partners and assess their capacity and effectiveness in delivering the services required. The B2B institutional analysis will indicate the availability and existing capacities of institutions in the country that can serve as project implementing agencies or partners; it will also indicate which capacity development activities should be envisaged as part of the project design. The guiding questions for identification of implementing agencies are presented in box 10. Below is a list of different options for project implementation arrangements that could be considered by the design team.

Box 9. Recommended agencies for types of goods and services

Type of goods/services	Common delivery agencies
Public goods	Technical public agencies, contracted NGOs and private-sector companies
Public services	Technical public agencies, contracted NGOs and private-sector companies
Private goods/services	Private sector and semi-private service providers, SME and trade associations, beneficiary associations (water users, farmers' groups), financial institutions

DELIVERY OF SERVICES THROUGH PUBLIC SECTOR STRUCTURES

If the project is designed to deliver mainly public goods and services, the best option is to use public entities, which could include the following:

Option 1. Lead ministries such as the Ministry of Agriculture/Ministry of Local Government and its decentralized structure. Research, extension services and natural resource management are best delivered through such structures. Specific project components can also be assigned to line ministries with a relevant institutional mandate, such as the Ministry of Water and Irrigation to deliver public goods and services related to irrigation development.

Option 2. Semi-autonomous public entities. Implementation responsibilities may also be strategically assigned to other public sector partners. These could be semi-autonomous public entities, e.g. parastatal institutions relevant to the planned area of activity. Often, and particularly where a specialized service is involved as part of a project component, such a component is best assigned to a specialized institution. Components such as rural roads (market infrastructure support), rural electrification, rural finance and agricultural research often lend themselves to such arrangements. A common practice is for the lead agency to transfer management of resources and associated responsibilities to partner institutions through an MOU or similar agreement. The advantage here is that such institutions often have administrative systems and operational procedures that are better suited to the delivery of the goods/services concerned. For example, in rural finance projects, delivery of financial products is best handled through financial institutions that have systems for screening beneficiaries and collecting repayments. The rural finance provided for post-harvest investments under the Agricultural Marketing Improvement Programme (AMIP) in Ethiopia best illustrates this approach.

Option 3. Local government units. In countries with decentralized structures, it is good practice to assign responsibility for delivering project goods and services to beneficiaries to local government units (LGUs) present in the project area. Care must be taken not to create “parallel” and stand-alone structures that will be confined to project initiatives, only to disappear after project closure. Project planning and implementation at the local level should be aligned with the local government administration system and decentralized governance forums already in place. Depending on the focus of a project and project management arrangements, the general principle is to link technical components to LGU-level technical committees for ownership, capacity-building and sustainability (see annex 3).

Box 10. Guiding questions for the selection of implementing agencies

- What are the institutional and technical mandates of the institution/partner?
- What activities are to be assigned to the institution/partner?
- Does the institution/partner have the technical capacity to undertake the assigned activities?
- Does the target institution have the administrative capacity to manage the activity?
- Does the institution have adequate systems and capacity, together with a good track record. for financial management?
- What capacity-building is required to enable the organization to improve its delivery? What lead time is required to build such capacities?

DELIVERY OF SERVICES THROUGH NON-STATE ACTORS

Private service providers. Projects that have an interface with the private sector require delivery mechanisms suited to the private sector environment. The public sector may engage non-state service providers such as NGOs to provide public services – for example extension services, input supply and capacity-building – to project beneficiaries. A common approach is to contract the delivery of such services through public tender systems. In most of IFAD projects reviewed, this approach was adopted for delivery of public infrastructures, such as rural markets and rural roads. Table 1 lists the advantages and disadvantages of using non-state actors.

The selection of contracted service providers needs to follow clear procedures and criteria. These processes should be clearly defined in the Project Implementation Manual (PIM) to ensure maximum fairness and transparency in the selection of service providers.

Where private service providers are used, attention needs to be given to the following factors:

- Clear definition of terms of reference and delivery milestones, linked to the pay system
- Assessment of government/lead agency capacity to select suitable service providers for projects
- Existence of competent selection team that would be able to assess technical proposals submitted
- Development of a performance-based evaluation system
- Mechanism for beneficiary feedback on Private Service Providers (PSP) performance and complaint system
- Whether a pre-selection process should be established
- Whether technical consultants need to be recruited to undertake technical and financial assessments of the service provider's proposals.

ATTENTION: In general, the more complex the activities to be implemented, the more likely it is that a pre-selection process is needed when identifying private service providers. Several technical consultants may be required to assess the different types of activities envisaged in the project (e.g. engineers, business development specialists and training specialists). In countries where a shortlist or inventory of experienced service providers exists and where procurement regulations allow, sole sourcing can be used to select service providers.

Table 1. Advantages and disadvantages of service delivery through non-state actors

Advantages	Disadvantages/Risks
More trusted arrangement for interventions that interface with private-sector beneficiaries	Inadequate capacity in public entity to select competent service providers
Allows specialized entities to be matched with the nature of services	Inability to find the right service provider leading to the need to invest in capacity-building
Remuneration structure allows more experienced staff to be hired	Limited availability of service providers able and willing to work in remote areas
Good quality and reliable services provided	Relatively higher cost
More flexible/less bureaucratic procedures allow quicker procurement of goods and services	Inadequate supervision by the state entity responsible results in low-quality services
	Less ownership of intervention by public entity responsible
	No guarantee of continuity at the end of contract

DELIVERY THROUGH BENEFICIARY INSTITUTIONS

Beneficiary institutions such as producers' organizations and other grass-roots institutions (water user associations, watershed management committees or other local institutions) can be assigned project implementation responsibilities. Involving these organizations as service providers may serve as an effective exit strategy for a project because it generally means that they have an interest in sustaining activities initiated by projects. If national financial policy and procurement law allow, beneficiary institutions may also directly handle project funds, including procurement. Community-driven development projects are more suited to these arrangements because they offer hands-on learning and empowerment opportunities. The project design should have scope for integrating new or emerging beneficiary institutions into specific roles during project implementation. To strengthen the delivery of a project by beneficiary institutions, attention needs to be paid to the following aspects during project design:

- Beneficiary-based delivery mechanisms can require external interventions to build their capacities and enable them to deliver the intended services. Capacity-building needs to be incorporated into the project design.
- Beneficiary/additional institutions may arise out of a need to address emerging roles. For example, in the Uganda VODP, one requirement that emerged during implementation led to the establishment of the Kalangala Oil Palm Growers Trust (KOPGT), which was not part of the original design. The KOPGT proved to be a key structure in the delivery of services and in communication between the agribusiness entity and farmers (see case study 5, annex 1).
- Although initially beneficiary institutions may not be ready to provide services or handle public funds as part of project implementation, their capacity may increase during the life span of the project and they may gradually be able to take on certain service provision responsibilities. Maturity indicators can be used to assess the readiness of beneficiary institutions to take on the responsibilities envisaged. This would trigger changes in implementation arrangements to integrate the beneficiary institution into the project service delivery process.

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DELIVERY THROUGH PUBLIC-PRIVATE-PRODUCER PARTNERSHIPS (4PS)

Increasingly, 4Ps are being used to deliver a mixture of both private and public goods. Services such as mobilizing producers into organizations and empowering them, extension services, and facilitation and regulatory functions, are handled by public institutions. The private-sector partner will be assigned areas consistent with its core business, which could include supplying inputs on a cost-recovery basis, contributing to training in product quality and purchasing produce from farmers. Farmers, individually or through their organizations, are responsible for investing in production and linking up with the private-sector entity. The arrangement will vary depending on the commodity and the business model adopted in project implementation. The 4Ps arrangement is illustrated in box 11, using selected IFAD projects.

Box 11. Delivery through 4Ps arrangement

Project	Private	Public
Ghana: Northern Rural Growth Programme	Provide training materials Aggregate produce Manage revolving credit mechanisms	Establish farmer-based organization Facilitate value chain platform at the district level (NGO-managed activities)
Rwanda: Smallholder Cash and Export Crops Development Project	Invest in tea processing Provide technical assistance, transport, inputs	Establish and train tea cooperatives Pay farmer shareholders in tea factory Land and infrastructure
Uganda: Vegetable Oil Development Project	Invest in processing factory Provide technical know-how, inputs	Create farmer trust Provide loans to farmers, infrastructure, land



Project example

Ethiopia AMIP – institutional change during project implementation:

The Agricultural Marketing Sector of the Ministry of Agriculture and Rural Development was responsible for AMIP for the first five years of the programme. The Ministry of Trade took over AMIP coordination from 2010 onwards, following government restructuring that brought all marketing activities under that Ministry. This transfer was not effective because field implementation remained under the Ministry of Agriculture and Rural Development. Programme performance in terms of local capacity-building, group formation and market linkages was consequently rated as unsatisfactory. (See page 48)



Generic principles and selected project examples

A review of selected projects, as well as existing IFAD documentation, reveals a wealth of IFAD experience in designing project institutional arrangements for a diversity of country contexts and types of projects. These lessons and experiences form the key design principles summarized below and are illustrated with project examples.

A thorough assessment of institutions and capacities at various levels is a prerequisite for a successful project design.

A comprehensive institutional analysis is required as part of the design process in order to determine the most appropriate project management and implementation arrangements. Often, not enough attention is paid to this process during the project design phase. Institutional set-up options need to be carefully assessed against actual institutional capacity required for effective project management and implementation. Overall, project interventions/investments should be commensurate with institutional capacity to avoid over-ambitious designs. During project design, support should be sought from an institutions specialist. Appropriate capacity-building and institutional strengthening needs should also be estimated and incorporated into the project design. For details, refer to IFAD's knowledge product, A Field Practitioner's Guide: Institutional and Organizational Analysis and Capacity Strengthening.

The project environment may change during the course of implementation.

Most IFAD projects have a duration of 5 to 10 years. Project management and implementation arrangements that are right at inception may become inappropriate during a project's lifetime and require adjustment for continued effectiveness. Government organizational restructuring or policy changes may change the institutional setting of a project, necessitating a reflection on the continued appropriateness of the original project management and implementation arrangement (as in the case of Mozambique's Agricultural Markets Support Programme [PAMA] and Ethiopia's Agricultural Marketing Improvement Programme [AMIP]). Institutional reassessments are required during annual supervision missions and during mid-term reviews to make sure that institutional arrangements for project management and implementation are still relevant, efficient and effective. Changes should be introduced, where necessary, to align project delivery mechanisms with institutional changes.



Project example

Mozambique PAMA – institutional change during project implementation

The National Directorate of Rural Development, initially under the Ministry of Agriculture and Rural Development, was later moved to the Ministry of Planning and Development and, subsequently, to Ministry of Local Government. The two host ministries were not the most appropriate institutions for a market linkage programme. As a result, the programme was unable to achieve planned policy reforms that required the active involvement of the Ministry of Agriculture and the Ministry of Industry and Commerce. (See page 40)



Project example. **Yemen ADCRMP – Effective leadership of project steering committee**

The PSC was responsible for providing policy guidance, reviewing the project annual workplan and budget, and project performance. It was planned that the PSC would meet twice a year; it actually met eight times during the project's seven-year lifespan. It continued to meet even during the period of unrest in Yemen in 2010-2011. Members' attendance in its eight meetings was very high, with almost all PSC members regularly being present. Nearly all meetings were chaired by the Minister of Agriculture and Irrigation. During the course of project implementation, the PSC was very supportive of the PMU, especially on procurement issues. (See page 44)

Leadership of PSCs is a crucial determinant of the effectiveness of project oversight. In most IFAD projects, project oversight is handled through stand-alone PSCs, which facilitates both coordination among the institutions involved and the provision of policy and strategic guidance. IFAD experience has shown that, where PSCs are chaired by people in positions of authority, such as ministers, permanent secretaries or other senior government officials, the participation of PSC members and the effectiveness of the PSC itself greatly improve. The case of the Yemen Al-Dhala Community Resource Management Project (ADCRMP) best illustrates this.

The viability of establishing and operationalizing project-specific steering committees needs to be evaluated. Experience has shown that, in practice, PSCs are often difficult to establish and can remain unsustainable and incomplete well into the project life. Preference should be given to using existing structures wherever these are available and can satisfactorily serve the needs of a project (see annex 4).

Selecting the right lead agency is critical for effective project management. To be able to serve in the lead role, the lead agency needs to have the institutional mandate for the thematic areas of the project, adequate institutional and technical capacities, and the required systems. IFAD's experience shows that if a project management system is ineffective (e.g. financial and administrative functions) or its staff have insufficient capacity, it can face challenges that may not be entirely overcome during the lifespan of the project, undermining the achievement of project objectives. Where the use of a public sector lead agency is critical but its capacity is limited (in terms of both human resources and physical resources), the design should include a capacity-building plan. If circumstances allow, it is better to use an existing autonomous institution that has the required capacity to manage the project. For example, in the IFAD-supported Finance for Enterprise Development and Employment Creation Project (FEDEC) in Bangladesh, the role of project lead agency was assigned to an existing autonomous institution that had adequate experience and strong systems and capacities suited to the type of project. As a result, the project recorded satisfactory implementation performance, which was to a large extent attributed to effective project management.



Project example. **Bangladesh FEDEC project – The right lead agency**

In Bangladesh, the **Finance for Enterprise Development and Employment Creation Project (FEDEC)** selected an autonomous institution, the Palli Karma-Sahayak Foundation (PKSF), as lead agency on the basis of its strong systems and experience in managing similar types of projects. The PKSF has an outstanding monitoring system, comprising visits to POs every three months; an internal audit team that conducts an annual audit of POs; and an external audit firm that verifies the financial position of all POs. The FEDEC project, which was managed entirely through these systems, achieved its objectives fully in less time than expected and had good prospects for the sustainability of results achieved. FEDEC was the third IFAD project implemented under the leadership of PKSF. In June 2014, this project received the Development Impact Honors award from the United States Department of the Treasury for its innovative agricultural financing. (See page 42)



Project example

Mozambique PROSUL – Impact of complex projects on management and implementation effectiveness:

The PROSUL has a complex design, with 5 components, 12 subcomponents and a multiplicity of heterogeneous actors, including 4 lead service providers and at least 4 financial service providers. As a result, the project is facing challenges in getting off the ground and in establishing an effective planning, monitoring and reporting system. This has delayed implementation and achievement of the intended results.



Complex projects have major implications for management coordination and implementation arrangements. Complex project designs with multiple objectives and components tend to involve potential risks to the achievement of project objectives and goals. Such projects normally involve a wider range of stakeholders, implementation partners and multiple delivery structures and mechanisms, requiring robust management and coordination systems. Where possible, project designs need to explore ways to reduce complexity by streamlining project objectives or putting in place appropriate management instruments and coordination approaches that can effectively support the delivery of multiple goods and services to beneficiaries, supervision of activities, M&E, and timely achievement of intended outputs and outcomes. The Pro-Poor Value Chain Development Programme in the Maputo and Limpopo Corridors (PROSUL) in Mozambique is among many IFAD projects that have suffered the consequences of project complexity during their implementation.

There is no standard PMU structure for IFAD projects. Experience shows that PMUs are an effective way to provide management, quality control, administration, logistical services and technical backstopping to projects. The structure of a PMU will need to suit the specific country context and type of project. The right balance needs to be found between efficiency and effectiveness, which are usually optimal when a PMU is staffed with competitively recruited consultants, and the achievement of institutional strengthening, capacity-building and long-term sustainability, which are usually optimal when a PMU is embedded in a government's institutional structure. In general, PMUs require dedicated full-time manpower to be able to focus on their specific roles without distraction and the staff composition should be consistent with the administrative and technical demands of the project.

Project management and implementation systems should be matched to the type of goods and services. Public goods are best delivered through public bodies or contracted service providers. Projects that deliver private and semi-private goods require implementation arrangements and delivery mechanisms that are closer to the private sector business model. Increasingly, 4Ps arrangements are being used for projects delivering a mixture of both private and public goods.

Selection and management of contracted service providers has emerged as a major risk. This risk could be minimized through proper assessments of potential service providers during project design to ascertain their competencies. Poor selection of service providers can sometimes be traced to inadequate capacity of entities entrusted with the selection process. In remote rural areas and post-conflict countries/fragile situations, identifying service providers with sufficient capacity to deliver public, private and semi-private services is often challenging. This difficulty increases exponentially as project design becomes more complex, delivering different types of goods and addressing different sectors. In such cases, it is good practice to allocate resources during project design for capacity-building of service providers to tackle specific competence gaps. Evaluation of service providers' performance by the lead agency or the PMU is also crucial. Project beneficiaries should also be involved in assessment of service providers (through community-based contract monitoring committees, participatory stakeholder workshops and beneficiary satisfaction surveys). The use of performance-based contracts that are renewed annually on the basis of performance evaluations is recommended.



Project example

Uganda CAIIP1 – Participation of beneficiaries in project implementation:

The Community Agricultural Infrastructure Improvement Programme (CAIIP-1) adopted an innovative community participatory approach. The sustainability of project activities was rated satisfactory in the project completion report. This was attributed to the fact that: (i) project implementation was carried out within the framework of decentralized administration using available structures and processes, which ensured that project interventions were aligned with capacities and sustainability strategies that already existed in the local governments; (ii) the identification, selection and prioritization of infrastructure to be developed were based on the bottom-up planning process undertaken by local governments. This participation strategy ensured that local priorities were taken into account by the project and fostered community ownership of the infrastructure. Communities were enabled to take on initiatives such as rehabilitating and maintaining district and community access roads, providing electricity to market centres, building market places and developing agroprocessing facilities, as well as community mobilization and capacity-building. (See page 38)



The capacity of beneficiary institutions involved in project implementation is crucial. One of IFAD's comparative advantages is that it works with institutions *of* the poor (rather than *for* the poor). Beneficiary institutions such as producer organizations are playing increasingly important roles in implementing IFAD-supported projects, and they tend to sustain and scale up activities after project closure. But their actual capacity to manage and implement projects is overestimated in many cases. Project designs should refrain from assigning them responsibilities in excess of their actual capacity, which would jeopardize project implementation and achievement of the intended results. For example, delegating financial service provision functions to producer organizations and other non-financial rural institutions without the necessary competences to manage financial services should be discouraged.

Participation of beneficiaries in project implementation is crucial for sustainability. The active participation of beneficiaries in project implementation arrangements is considered important for the relevance, sustainability and scaling up of interventions. Building on wide consultative and participatory processes develops ownership and can allow a better response to problems arising during project implementation.

Institutional coordination is important in building synergies and optimizing the use of resources. Effective coordination mechanisms are needed both within the project and with external entities. Within the project, coordination can be achieved by establishing project-specific coordination mechanisms such as PMUs or by relying on existing coordination structures. External coordination with other development partners supporting similar initiatives is equally important as it is a means of building partnerships and synergies, harmonizing interventions, sharing experience and scaling up innovations. The PSC and the lead agency can be assigned the external coordination role, while existing coordination mechanisms in the different sectors can also be used as avenues for coordination with other development partners. At the corporate level, IFAD country offices are also expected to coordinate with other development partners, especially through any donor coordination mechanisms already existing in the country.



Quick reference table for OMCI pillars

This section provides a quick reference guide to aligning institutional arrangements for project oversight, management and implementation with the country context, types of goods and services to be delivered, and the type and nature of the project in terms of thematic focus and complexity.

	Oversight	Management	Coordination	Implementation	
Country context	Centralized structures	Centralized PSC within the lead agency Use existing mechanisms	Centralized management within or outside the lead agency, embedded in a technical department or expert institution Use a stand-alone PMU established within the lead agency, staffed with competitively recruited civil servants or external experts	Project-specific coordination mechanism Use existing entity to serve as a centralized coordination body	Centralized/decentralized government line ministry agencies Autonomous government agencies NGOs/private service providers centrally recruited
	Decentralized structures	Centralized PSC within the lead agency, with PSCs in decentralized structures at district and regional level, with priority given to existing mechanisms	Decentralized management unit serving each of key implementation levels, fully integrated in existing structures or stand-alone units	Centralized or decentralized public sector-managed coordination mechanisms	Decentralized structures of government line agencies Decentralized autonomous government agencies Centrally recruited delivery agencies with field capabilities Locally recruited delivery agents Beneficiary organization
	Well developed and functional administration system	Centralized PSC within the lead agency Decentralized SC for each implementation level, using existing mechanisms	Use public structures to manage project: (i) fully integrated in the structure of the lead agency; (ii) embedded designated PMUs	Coordination mechanism managed through non-state actor Central coordination	Delivery through technical line agencies centrally or through decentralized structures Delivery through NGO and private-sector agencies centrally or decentral recruited Technical line agencies Beneficiary organizations
	Weak or absent administration system	PSC outside government lead agency	Independently organized PMU outside government structures Super PMUs responsible for a number of projects	Coordination mechanism managed through non-state actors	NGOs and private-sector companies Beneficiary organizations

		Oversight	Management	Coordination	Implementation
Type of goods	Developed private sector	PSCs at level of lead agency Existing coordination body or PSC to include private-sector agents or beneficiaries	PMU with private-sector experience	Coordination mechanism which include both public and private-sector entities	NGOs and private-sector companies Beneficiary organizations
	Public	Centralized PSCs at level of lead agency Existing coordination body (project-specific or others)	PMU with public-sector management experience Management integrated into existing lead agency structure	Lead agency-led coordination, including interministerial and LGUs	Public technical line agencies (possibly at decentralized level), NGOs and private-sector companies, cooperatives, beneficiary organizations
	Semi-private	Centralized project-specific steering committee at level of lead agency Existing coordination body (project-specific or others)	PMU with both public and private-sector management experience	Centralized/decentralized value chain platform coordination mechanism managed through non-state actors	Public technical line agencies (at decentralized level), NGOs and private-sector companies, cooperatives Public private partnerships Beneficiary organizations
Thematic Area	Value chain/ market access/SME development	Centralized PSC at level of lead agency Existing industry coordination body	PMU with contracting and contract management capabilities PMU with subject-matter specialists	Stakeholder coordination platform Value chain platforms Industry bodies Project-specific coordination mechanism managed by value chain leader/agency	Public agencies (e.g. for infrastructures, extension) public-private partnerships Contracted NGO and private agencies Business development service providers Membership-based organizations
	Rural finance	Centralized PSC at the level of the lead agency Existing coordination body	PMU within a specialized financial organization PMU with contracting and contract management capabilities PMU with subject-matter specialists	Coordination body managed by the lead agency	Autonomous public financial bodies, business development service providers, private/ NGO financial services organizations
	Agricultural development	Centralized project-specific steering committee at the level of the lead agency; use existing coordination body (project-specific or others)	PMU with public sector management experience PMU with contract management experience	Coordination body managed by the lead agency	Technical line agencies (preferably at decentralized level), NGOs and private-sector companies, cooperatives
Complexity	Complex design	Centralized project-specific steering committee at the level of the lead agency comprising all key stakeholders and agencies Decentralized PSCs or existing steering mechanisms	Centralized PMU backed by decentralized PMU with diverse technical skills	Centralized coordination within the lead agency and decentralized multistakeholder coordination mechanisms	Technical line agencies (possibly at decentralized level), NGOs and private-sector companies, 4Ps arrangements Beneficiary organizations
	Simple design	Centralized project-specific steering committee at the level of the lead agency comprising key stakeholders; or embedded in existing structures	Centralized or decentralized management	Centralized coordination under the lead agency or decentralized structures	Technical line agencies, NGOs and private-sector companies, cooperatives and other beneficiary organizations

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Annex 1

Project case studies

Case study 1. Uganda: Community Agricultural Infrastructure Improvement Programme

Thematic area: Market infrastructure

Implementation period: 2008-2013

Project objectives

The overall goal of the Community Agricultural Infrastructure Improvement Programme (CAIIP-1) was to contribute to poverty reduction and economic growth in Uganda through enhanced commercialization of agriculture. Specifically, the project sought to enhance farmers' access to markets and attract competitive prices through improvements in rural infrastructure and its management by well-mobilized communities, leading to increased incomes. This was done by promoting agroprocessing and value addition facilities and connecting them to appropriate energy sources, and rehabilitating/improving rural roads and rural markets.

Key project outcomes and impacts

Some 200,000 households benefited from the intervention. The main outputs of the project included rehabilitation of 3,289 km of all-weather rural community access roads, rehabilitation of more than 538 km of district feeder roads, establishment of 74 rural agricultural markets and installation (ongoing) of 123 units of assorted agroprocessing and storage equipment (e.g. 14 coffee hullers, 39 maize mills, 33 rice hullers and 37 milk coolers). The project also included extension (ongoing) of the national grid by 15 km and supply of diesel generators to agroprocessing sites to power the machines and light up the markets.

As a result of these interventions, the project area witnessed significant increases in the farm gate prices of staple food crops. In addition, project interventions led to the emergence of several rural growth/trade centres, more permanent housing, new schools and health facilities. The project has been appreciated by the government, resulting in the expansion of project activities to the northern and western parts of the country under project phases CAIIP-2 and CAIIP-3, respectively.

Project institutional arrangements

Executing/lead agency	The project was executed by the Ministry of Local Government, but actual implementation was carried out by the 35 beneficiary local governments within the framework established by the government for decentralized administration and development.
Project oversight	A PSC, also known as the Interministerial Policy Committee, was established at the national level, drawing its membership from key government ministries/agencies bearing direct relevance to the project scope. The committee was set up to provide guidance on both policy issues and project implementation.
Project management/ Coordination structure and composition	Project organization and management arrangements included a lean and highly qualified unit, known as the Project Facilitation Team, based within the Ministry of Local Government and responsible for the procurement of goods and services, financial management/accounting, preparation and consolidation of annual workplans and budgets. The team also provided technical guidance and direction to local governments to ensure the quality of deliverables, and acted as a liaison between funding agencies and district local governments. Overall, management of the project was satisfactory throughout its implementation. A good indicator is the fact that project management was innovative in proposing or implementing alternative approaches when faced with issues not foreseen at appraisal.
Implementing agencies	Most field responsibilities were outsourced to private contractors under the supervision of beneficiary district and lower-level local governments.
Beneficiary participation	Stakeholder involvement was very high. CAIP-1 established and trained infrastructure management committees for roads, markets and agroprocessing facilities and petty contractors for the maintenance of community access roads. The establishment of these structures among the beneficiary communities should ensure that the capacities built are maintained within the project area and used to foster the sustainability of the investments.
Lessons learned and key drivers of success	<p>The project was rated most likely to be sustainable. The performance of partners in CAIP-1 was found to be highly satisfactory.</p> <p>Project implementation was carried out within the framework of decentralized administration using existing structures and processes. This ensured that project interventions were aligned with capacities and sustainability strategies already existing in the lower-level local governments.</p> <p>The project also adhered to bottom-up planning processes in the identification, selection and prioritization of infrastructure to be improved. This ensured that local priorities for improvement were adopted by the project and that ownership by communities was fostered through their participation in the planning process.</p> <p>Having beneficiary communities identify and select priority investments laid the foundation for a sense of ownership and better sustainability. The project took an innovative community and participatory approach. It raised awareness in local communities and mobilized residents to participate in taking an inventory, setting priorities, selecting agricultural infrastructure to build or improve, and maintaining it after completion.</p>

Case study 2. Mozambique: Agricultural Markets Support Programme

Thematic area: Marketing and value chain development

Implementation period: 2001-2008

Project objectives

The overall objective of the Agricultural Markets Support Programme (PAMA) was to increase the incomes and food security of participating smallholder farmers by raising: (i) the number of producers marketing their produce; (ii) the number of buyers purchasing their produce; (iii) the level and share of end prices accruing to farmers. PAMA was designed to finance two types of activities: (i) geographically-focused activities aimed at addressing marketing linkage constraints identified as priorities by participating beneficiaries; (ii) activities leading to the development of a national programme that would allow interventions piloted by the project to be replicated on a national scale.

Key project outcomes and impacts

The end-of-project impact study showed that 61 per cent of the farmers in associations confirmed selling more of their crop through their associations than individually. The benefits of membership were various: about 45 per cent of farmers in associations confirmed that they were getting higher prices, 18 per cent reported quicker sales, 10.6 per cent received credit support, 8 per cent were receiving training support, while 6 per cent indicated cheaper transport, 2 per cent safe places for crop storage and 10 per cent other benefits. About 79.2 per cent of associations sampled reported having started to promote crop diversification in favour of higher-value crops.

The project also successfully developed 680 km of roads and constructed 725 bridges against a target of 500 km of roads and 200 bridges, providing access to markets for areas that previously had been without.

Project institutional arrangements

Executing/lead agency	National Directorate for the Promotion of Rural Development
Project oversight	Stakeholder participation in project implementation was to be achieved through consultative councils operating at the national and provincial levels. At the national level, the consultative council was made up of representatives of key government institutions, a representative of the financial sector, a representative of the smallholder farmers union, UNAC (União Nacional de Camponeses), and the Link NGO Forum, representing NGOs. Meeting regularly each semester, the consultative council reviewed and approved all important plans, reports, budgets, audits, funding proposals, and changes in project design and strategies. They also served as a channel for disseminating information on the activities of the project. At the provincial levels, consultative councils did not work as well as expected. It was decided that including project issues in existing government consultative meetings would have been a more viable option than setting up a separate consultative mechanism for the project.
Project management/Coordination	The implementation of project activities was coordinated through the National Project Facilitation Unit (PFU), supported by two similar provincial units located in Cabo Delgado and Niassa provinces. The recruitment of staff for the PFU was contracted out to a private consultancy company, which guaranteed recruitment of competent staff and attractive remuneration. The PFU was responsible for overall planning and monitoring of the project and for financial administration of all major service provider contracts.

Implementing agencies	The national roads authority (ANE) was assigned responsibility for managing the roads component and hiring private contractors. Implementation of other PAMA activities was undertaken by externally contracted service providers (mainly NGOs).
Beneficiary participation	Beneficiaries and local stakeholders participated in the implementation of the project activities through focal area resource groups (FARGs), which were responsible for approving focal area strategic plans and annual plans. The groups are considered to have been effective in this regard. It was, however, necessary to provide members with training in project-specific issues to enhance their participation. In almost all cases, FARG meetings were chaired by local administrators. It was decided that, in future, FARGs should be replaced with district consultative mechanisms and that it may be necessary to establish specific subcommittees to attend to project matters.
Lessons learned and key drivers of success	<p>Institutional positioning within the government. The institutional location of the project within the National Directorate for the Promotion of Rural Development (DNPDR) was appropriate, given its cross-cutting rural development responsibilities. The project enjoyed excellent administrative relationships with government institutions responsible for project oversight (DNPDR and the Ministry of Finance), which greatly reduced bureaucracy and the average time for approval of operational and financial decisions (including tenders). Linkages with other national directorates (except ANE and the Provincial Directorate of Public Works and Housing) were weak, largely due to the absence of a clear market linkage agenda within these institutions. A major lesson emerging is that institutional capacity-building needs to be preceded by a clear agenda within the target institutions, rather than being determined by a “shopping list” from government departments. This consideration was not given sufficient attention in the formulation of PAMA.</p> <p>Implementation strategies. Implementation of activities through externally contracted service providers was challenging. Most of the PAMA themes were new to the Mozambican operational environment and therefore there were no potential service providers with relevant experience. To improve effectiveness, it was necessary to: (i) invest in capacity-building of service providers; (ii) adopt contracting and contract administration procedures to accommodate their participation (e.g. a flexible payment system, assistance in acquiring bank guarantees, packaging of contracts into small lots); (iii) undertake close monitoring to guarantee the quality of work.</p> <p>Stakeholder consultative mechanisms. Both the consultative councils (provincial/national) and FARGs (focal area) were effective as a channel for disseminating information on the activities of the project. However, experience has shown that including project issues in existing government consultative meetings at both provincial and district levels would have been a more effective option than setting up a separate consultative mechanism for the project.</p> <p>Project facilitation. A number of lessons emerged with respect to the approach adopted in setting up the PFU, including: (i) the importance of having a team of experts dedicated full-time to the project, thus allowing for effective monitoring of activities and ensuring that contracted service providers adhere to the agreed scope of work; (ii) the importance of autonomy in decision-making; (iii) the need to guarantee that the facilitation unit has technical expertise relevant to the programme; and (iv) the outsourcing of PFU recruitment guaranteed staff stability (no changes in the core team) and technical backup as and when required.</p>

Case study 3. Bangladesh: Finance for Enterprise Development and Employment Creation Project

Thematic area: Rural finance, enterprise development

Implementation period: 2008-2013

Project objectives

The overall goal of the Finance for Enterprise Development and Employment Creation Project (FEDEC) was to contribute to economic growth, increase employment opportunities and reduce poverty, primarily through the expansion of existing microenterprises and establishment of new ones. FEDEC focused on the following aspects:

- Microfinance services involving savings and credit services for microenterprises
- Value chain development services to improve access to markets and build the capacity of small businesses

Key project outcomes and impacts

Building on the success of the approach adopted by the Palli Karma-Sahayak Foundation (PKSF) – that of wholesaling credit to its partner organizations (POs) – the project was able to provide loans benefiting 117,700 microentrepreneur borrowers. Beneficiaries also participated in 60 value chain projects, enterprise workshops (6,300 borrowers), entrepreneurship training (3,150 women and 3,150 men) and production training (5,550 women and 5,550 men).

Project institutional arrangements

<p>Executing/lead agency, Project oversight and management</p>	<p>Palli Karma-Sahayak Foundation (PKSF)</p> <p>PKSF had overall responsibility for project implementation under the coordination structure terms and conditions of the subsidiary loan and grant agreement between PKSF and the Ministry of Finance. The PKSF microenterprise unit managed the project and was headed by a PKSF deputy general manager, who coordinated project implementation. The day-to-day monitoring and supervision of lending to POs was handled by PKSF desk officers, who also managed other PKSF funding provided to these organizations. The desk officers worked closely with the microenterprise unit in managing loan disbursements to POs. The services of three value chain specialists were retained to provide technical assistance during project implementation.</p>
<p>Implementing agencies</p>	<p>PKSF followed its established system for working with POs, and its own procedures for management and microenterprise lending. PKSF selected POs to implement the project from among its existing 200 partners. The POs were responsible for providing microfinance services to the target group in the project area. When necessary, PKSF contracted other organizations to provide training and other support to POs and microentrepreneurs.</p>
<p>Lessons learned and key drivers of success</p>	<p>An autonomous institution was selected as lead agency on the basis of its strong systems and experience in managing this type of activity, thus guaranteeing successful implementation and sustainability. PKSF had an outstanding monitoring system in place, consisting of visits to POs every three months; the PKSF internal audit team conducting an annual audit of POs; and an external audit firm engaged to verify the financial position of all POs.</p> <p>The project was able to build the capacity of both PKSF and its POs to efficiently manage a microenterprise development programme.</p>

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Case study 4. Yemen: Al-Dhala Community Resource Management Project

Thematic area: Resource management

Implementation period: 2007-2014

Overall goal

The Al-Dhala Community Resource Management Project (ADCRMP) aimed to promote the sustainable and equitable development of rural living standards and greater livelihood security for vulnerable households in the remote and isolated mountainous districts of Al-Dhala Governorate through better management of their resource base.

The specific objectives of ADCRMP were to: (i) empower communities, including women and poor people, to mobilize and organize themselves to participate in and gain direct benefits from development planning and project execution; (ii) remove critical physical and social constraints to productivity and advancement; and (iii) equip and support households to enhance outputs in order to secure basic food supply, produce marketable surpluses and pursue income-raising opportunities.

Key project outcomes and impacts

The project achieved significant results, including the construction of drinking water tanks and on-farm water reservoirs for supplementary irrigation, *wadi* bank protection works, rehabilitation of abandoned terraces and restoration of abandoned agricultural land to productivity. Significant efforts were made to rehabilitate and improve the rangelands. The project also promoted honey production and improved the quality and productivity of honey, which boosted honey prices and beekeepers' incomes. ADCRMP implemented field demonstrations, transferred technologies to farming communities, including improved new cereal and vegetable seed varieties, and recommended practices that resulted in better crop productivity. In addition, it supported vocational training for young people, who found good jobs after graduating.

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Project institutional arrangements

Executing/lead agency	Ministry of Agriculture and Irrigation
Project steering committee (PSC)	<p>The PSC was responsible for providing policy guidance, reviewing the project's annual workplan and budget, and reviewing project performance. It was planned that the PSC would meet twice a year; it actually met eight times during the project's seven-year lifespan and continued to meet even during the period of unrest in Yemen in 2010-2011. The attendance rate at its eight meetings was high, with almost all PSC members regularly being present. Nearly all meetings were chaired by the Minister of Agriculture and Irrigation. During the course of project implementation, the PSC was very supportive of the project management unit (PMU), especially on procurement issues.</p>
Project management	<p>The PMU was established by motivated and experienced technical and managerial staff. The project operated from the PMU office in Al-Dhala City with adequate office space and established systems for management, information and monitoring. In addition, the PMU included a finance section led by a finance manager and assisted by a technical support team (TST) comprised of specialists who provided technical backstopping to the social and technical mobilization teams (STMTs). The TST also acted as a link between the PMU and beneficiaries, and provided guidance on the implementation of field activities. STMTs assisted the PMU by communicating with beneficiary villages, mobilizing them to form registered associations and assisting them in preparing participatory community action plans and annual workplans. They also assisted community associations in monitoring the activities set out in the annual workplans. The PMU was without an M&E officer for a long period of time and the country office supported the project by contracting a consultant for three months.</p>
District coordination (DCC)	<p>A DCC was established in each district and chaired by the head of the district local council. The committees met each quarter and played an important role in facilitating the implementation of project activities in their districts. Their role was important in overcoming implementation constraints and resolving community disputes at the district level, thus ensuring efficient implementation. At DCC meetings, community action plans and annual workplans and budgets of community associations were discussed and approved. DCCs also helped community associations to approach government entities and NGOs for support in implementing activities that were beyond the scope of the project.</p>
Lessons learned and key drivers of success	<p>The selection of experienced, dedicated, effective, accountable and transparent project management staff was essential for the successful implementation of the project. The incentives provided for project staff were significant in motivating them to improve performance and achieve positive outcomes. The appointment of experienced staff was paramount in overcoming institutional constraints within the project.</p> <p>The project management's responsiveness to the demands of community associations – especially those that were consistent with project objectives – went a long way towards ensuring sustainability.</p>

Case study 5. Uganda: Vegetable Oil Development Project

Thematic area: Value chain development

Implementation period: 1997-2011

Project objective

The development objective of the Vegetable Oil Development Project (VODP) was to increase the domestic production of vegetable oil and its by-products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighbouring regional markets. The project was to achieve this by supporting farmers to increase their production of crushing material of both oil palm and oilseeds (sunflower, soybean, sesame and groundnuts) and establishing commercial relations.

Key project outcomes and impacts

The project adopted a broad, value-chain approach to the vegetable oil subsector by working with a variety of vegetable oil crops, stakeholders, institutional levels, and geographical areas, requiring coordination with many public and private institutions at national, district and local levels. The Oil Palm Subproject involved the introduction of a new crop, the oil palm in a public-private sector partnership where the private sector invested in nucleus palm oil plantations, oil milling and refining facilities and smallholder farmer plantations development. The project operated in a small geographic area on a plantation/smallholder mode of production. The model of nucleus estate and smallholder development provided for knowledge transfer while protecting and helping farmers to plant a previously unknown industrial crop. The Traditional Oilseeds Subproject expanded smallholder production and processing of existing oilseed crops using traditional research/extension methods. It operated in an extensive, agroecologically diverse region. Farmers supply sunflower crushing seed to an agro-industrial hub and the farmers in return are serviced by the milling companies for the supply of planting seed, technical services and purchase of the product. Local-level processing (ram press technology) enhanced value addition and marketing, and led to increased consumption of oil in rural areas.

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Project institutional arrangements

Executing/lead agency	The Ministry of Agriculture, Animal Industry and Fisheries was the lead agency. It worked with other line ministries and government agencies, as needed, to provide support to ensure smooth and effective project implementation.
Project steering committee (PSC)	The Vegetable Oil Development Council served as the PSC and had the responsibility for providing overall guidance for project activities. The PSC was chaired by the Ministry and staffed by representatives of the National Research Organization, the Ministry of Finance, Planning and Economic Development, Oil Palm Uganda Limited, large-scale oilseed millers, Oil Seed Subsector Uganda Platform, in addition to representatives of two farmers' organizations – the Uganda National Farmers Federation and the Uganda Oil Seed Producers and Processors Association. The PSC met once every six months to review all project reports and annual workplans and budgets.
Project management unit (PMU)	The PMU was staffed by ten qualified professionals, including specialists responsible for areas of work relevant to the project. The PMU also had four coordinators based in the hubs. All PMU positions (both professional and support) were filled through competitive recruitment.
Project coordination	The Oil Seeds Subsector Uganda Platform which serves as the mechanism for coordination within the sector also facilitated project coordination. The platform received capacity-building support through an IFAD grant to SNV (the Netherlands development organization).
Implementing agencies	Two implementation structures were in place for palm oil development and oilseed development. The first was a public-private partnership between Oil Palm Uganda, smallholder farmers represented by the Oil Palm Growers Trust and the Ugandan government. The second was a pricing committee and services cost panel intended to ensure transparency with farmers. The PMU contracted service providers (millers, seed companies and other operators, including NGOs) to provide extension services in the four hubs.
Beneficiary organization	Smallholder farmers involved in the palm oil partnership were organized under the Kalangala Oil Palm Growers Trust (KOPGT), which was responsible for managing agricultural inputs and loan services to farmers.
Lessons learned and key drivers of success	The project ran two types of initiatives – palm oil development and oil seed development – and had established specialized delivery arrangements that were consistent with the services being delivered. A public-private partnership arrangement was set up for private sector-led palm oil production. A requirement that emerged during implementation led to the establishment of an institution that was not part of the original design. This institution, the KOPGT, became a key structure for service delivery and for communication to improve delivery arrangements. The KOPGT had institutional weaknesses, which indicated that when establishing farmer-based delivery mechanisms external intervention may be required to build capacity where it is needed so that the intended services can be delivered.

Case study 6. Ethiopia: Agricultural Marketing Improvement Programme

Thematic area: Institutional capacity-building/marketing

Implementation period: 2006-2013

Project objective

The objective of the Agricultural Marketing Improvement Programme (AIMP) was to improve the effectiveness and efficiency of the agricultural output marketing system by strengthening the capacity of government institutions, farmers and other market intermediaries.

Key project outcomes and impacts

The programme implemented an ambitious and comprehensive training programme covering officers working in public institutions and community members involved in the management of selected agricultural enterprises. Under the market infrastructure development credit (about US\$19 million) was provided to producers either in group or private by the programme in four regions (Amhara, Oromia, SNNP and Tigray) for the acquisition of post-harvest technologies. The technology enabled the smallholder farmers and suppliers to reduce post-harvest loss and improve the quality and quantity of commodities supplied to market. In this regard, the notable achievement was getting borrowers to develop a culture of credit repayment, which was largely lacking. The construction and establishment of coffee liquoring centres had a positive impact on local coffee marketing, reducing distances and improving prices.

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Project institutional arrangements

<p>Executing/lead agency</p>	<p>The Agricultural Marketing Sector of the Ministry of Agriculture and Rural Development was responsible for the programme for its first five years of operation. The Ministry of Trade took over AMIP coordination from 2010 onwards following restructuring of government that brought all marketing activities under that ministry. At the regional level, various institutions were responsible for hosting AMIP: Tigray Agricultural Marketing Promotion Agency, Amhara Trade and Transport Bureau, Oromia Trade and Market Development Bureau, the Marketing and Cooperatives Bureau of the Southern Nations, Nationalities and Peoples' Region, Afar Pastoral Agricultural and Rural Development Bureau, and the Livestock, Crop and Rural Development Bureau of the Somali Region.</p>
<p>Project oversight</p>	<p>The programme was expected to establish an agricultural marketing advisory council as the oversight body. At the federal level, a marketing council was reportedly established during the early stages of the programme. No information is available on its activities or the actual number of meetings it held. The programme management committee (PMC) established at the federal level conducted meetings at least once a year during the early years of the programme, although the original plan was to organize quarterly meetings. It was reported that this frequency was not maintained over the life of the project. The lack of a functional PMC emerged as a key constraint to programme implementation. Each region was to have had a <i>woreda</i> (district) marketing council to provide guidance on the planning and implementation of the <i>woreda</i> agricultural marketing development plan. Each council was to have met every quarter, chaired by the <i>woreda</i> administrator. But <i>woreda</i> marketing councils were established only in Tigray and Oromia regions. The failure to establish various institutions required by AMIP contributed to the implementation and coordination challenges faced by the programme.</p>
<p>Programme management and coordination</p>	<p>The programme was managed and coordinated by a Programme Coordination and Management Unit (PCMU) operating at the Federal level and by regional PCMUs in each of the six AMIP regions. The PMU at Federal level was initially under the Agricultural Marketing Sector of the Ministry of Agriculture and Rural Development (MoARD) and later in the Ministry of Trade (MoT).</p>
<p>Implementing agencies</p>	<p>The finance facility was managed by the Development Bank of Ethiopia, microfinance institutions, cooperative unions and their primary cooperative societies. The programme used existing structures under the Ministry of Agriculture and the cooperatives bureau to deliver capacity-building activities, which minimized overheads and reduced set-up costs. The training of trainers methodology adopted for the capacity-building component enabled the programme to reach out to a significant number of targeted beneficiaries organized at various government levels and spread over a wide geographical area.</p>
<p>Lessons learned and key drivers of success</p>	<p>Project management and coordination units. To be effective, PMUs require some degree of autonomy and authority to drive project activities, including innovations, where necessary. Where PMUs are unable to attract competent staff and are poorly resourced, the advantage of such entities is lost. The PMU was not able to retain core staff due to poor salaries, and the resultant instability undermined the effectiveness of AMIP.</p> <p>Institutional coordination. The viability of establishing and operationalizing project-specific coordination institutions needs to be evaluated. Experience gained from AMIP indicates that it is difficult to sustain the interest and active participation of stakeholder institutions in such coordination institutions. A viable alternative is to rely, as much as possible, on already established coordination mechanisms</p>

Case study 7. Rwanda: Support Project for the Strategic Plan for the Transformation of Agriculture

Thematic area: Institutional capacity-building

Implementation period: 2006-2013

Project objective

The overall purpose of the Support Project for the Strategic Plan for the Transformation of Agriculture (PAPSTA) was to improve the institutional, professional and technical capacities of institutions at the central, provincial and district levels, including farmers' groups and their umbrella organizations, and to ensure coordination, efficiency and effectiveness in the implementation and delivery of the priority programmes of Rwanda's Strategic Plan for the Transformation of Agriculture (PSTA).

Key project outcomes and impacts

The project impacts were satisfactory. At institutional support level, the change management, restructuring and strengthening of processes at Ministry of Agriculture and Animal Resources (MINAGRI) driven by PAPSTA generated interest among donor institutions in working in partnership with the ministry. For example, as a result of these reforms, in 2012, the European Union committed to increasing its support to the sector from EUR 20 million to EUR 100 million.

Impacts observed during the piloting and replication phases included increased food security, improved incomes and enhanced community cohesion. Data from the impact assessment study conducted in 2011 confirmed that project investments in family livelihoods had contributed to the reduction of poor households from 52 per cent to 17 per cent, while the proportion of moderately poor households went up from 46 per cent to 77 per cent.

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Project institutional arrangements

Executing/lead agency	Ministry of Agriculture and Animal Resources (MINAGRI)
Project oversight/steering committee (PSC)	Institutionally, PAPSTA was placed within MINAGRI, under the supervision of and reporting to the Permanent Secretary. This linkage enabled the project to remain relevant and play a key role in interpreting PSTA and facilitating the adoption of the SWAp.
Project management unit (PMU)	During the initial period, project coordination was through a project coordination unit (PCU) based at MINAGRI. PAPSTA experienced a high staff turnover, which affected project implementation. Reasons for staff leaving were associated conditions of service, which were reviewed infrequently during the project period. This problem was successfully dealt with through the special project implementation unit (SPIU) established later. The SPIU improved the coordination and retention of staff and set out clear roles and responsibilities for management of the project. The project received an award for its procurement and financial management.
District coordination committee (DCC)	At the local/community level, PAPSTA developed institutional structures that remained relevant to its overall goals and objectives. Watershed management committees (CLGS – <i>Comité Local de Gestion et de Supervision</i>) were set up to work closely with community development committees and district authorities to enhance the success of the participatory approaches developed by the project.
Implementing entities	PAPSTA used service providers, who were given one-year renewable contracts to implement some of its activities in three major ecological zones. While NGOs Heifer Project International and Send-A-Cow Rwanda were responsible for general animal husbandry, other aspects of animal health (e.g. disease surveillance, vaccination and deworming campaigns against the main epizootics and helminths, genetic improvement of project stock) were dealt with by the Rwanda Animal Resources Development Authority in all pilot districts.
Lessons learned and key drivers of success	The establishment of an autonomous PCU and, subsequently, the SPIU to coordinate project implementation was essential for a complex project such as PAPSTA. It contributed greatly to the successful implementation of the project and achievement of the project goals. Coordination structures were also established at lower levels of implementation.

Case study 8. Republic of Moldova: Rural Financial Services and Marketing Programme

Thematic area: Rural finance

Implementation period: 2009-2014

Project objective

The Rural Financial Services and Marketing Programme (RFSMP) aims to reduce rural poverty by creating enabling conditions for poor rural people to increase their incomes through greater access to markets and employment. The objectives are to: (i) create sustainable employment and generate income through partnership between farmers and entrepreneurs that addresses weaknesses in the horticulture value chain with a focus on input supply, production, processing, marketing, rules and regulations and legislative aspects; and (ii) create a replicable agriculture value addition and capacity-building model.

Key project outcomes and impacts

The six participating commercial banks eligible to access the programme's credit line provided medium-term investment loans to small commercial producers and SMEs for post-harvest activities. Through the Rural Finance Corporation, 89 savings and credit associations (SCAs) delivered micro-investment loans to their members in 130 villages across 30 districts for on- and off-farm activities. Rates of achievement have been in line with or largely exceeded appraisal targets in terms of capacity-building through training of staff of the commercial banks, the Rural Finance Corporation (RFC) and the SCAs (achieving 364 per cent of appraisal targets), number of borrowers (achieving 173 per cent of targets) and the cumulative value of loans (achieving 102 per cent of targets).

Achievements also included the construction/rehabilitation of a total of 32 business-enabling social infrastructure schemes on a cost-sharing basis. Cofinancing partners included farmers, rural households, SMEs and local public authorities, organized into 32 user groups in charge of operation and maintenance on a cost-recovery basis. The actual cost-sharing across schemes ranged from the required minimum of 15 per cent to 28 per cent.

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Project institutional arrangements

Executing/lead agency	Ministry of Agriculture and Food Industry
Project oversight	The IFAD Project Steering Committee (IPSC), which handles all IFAD-supported projects in Moldova, met regularly on an annual basis and successfully performed its function of reviewing and approving annual workplans and budgets and of policy guidance. It played a critical role in the alignment of interest rates charged to borrowers.
Project management	<p>A central management unit, the consolidated programmes implementation unit (CPIU), is responsible for managing all IFAD projects. The CPIU has 12 staff members and collaborates efficiently with all partners involved in programme implementation.</p> <p>The implementation strategy involved selecting, on a competitive basis, six commercial banks and one microfinance institution (the RFC), and building their capacities to use the programme-financed credit line in combination with their own resources to provide loans to beneficiaries. This approach worked very well. While the commercial banks were supervised by the National Bank of Moldova, the RFC and SCAs were supervised by the National Commission for Financial Markets.</p> <p>A similar competitive mechanism was used for the selection of five private service providers to support quality business development for loan applicants. This was also found to have been appropriate.</p>
Project coordination	The implementation strategy involved establishing value-chain development platforms, which proved to be an effective empowerment approach. It brought together major stakeholders along the various segments of the horticulture value chain to deploy their synergies and prioritize commodities, technologies and interventions. The mechanism of outsourcing the delivery of capacity-building and training to private service providers on a competitive basis was also effective.
Lessons learned and key drivers of success	<p>The Government of Moldova demonstrated strong ownership of the programme. The Ministry of Finance and the Ministry of Agriculture and Food Industry met their statutory requirements in line with the Loan Agreement, and provided timely and relevant support to project implementation. The Ministry of Finance managed the revolving refinancing activities efficiently through the Credit Line Directorate.</p> <p>The CPIU collaborated efficiently with all partners involved in programme implementation. Overall, the CPIU M&E team performed satisfactorily in the collection of a large amount of relevant quantitative and qualitative information. However, M&E needs to be coordinated with the work of the finance management unit to improve the tracking of actual expenditures by component.</p> <p>All non-financial service providers met their contractual obligations. The six participating commercial banks extended micro, small and medium-sized investment loans to eligible borrowers in conformity with respective subsidiary loan agreements.</p> <p>One of RFSMP's innovations was to establish an overall value chain development platform for export markets, which successfully evolved into three sets – one each for fresh fruits, table grapes and vegetables. Each platform was led by a major producers' association and brought together relevant partners in the commodity value chain to address problems of common interest in a coordinated manner.</p> <p>Community participation was strong and provided a good basis for sustainability. The commercial banks were required to provide an enhanced contribution from their own resources to the lending portfolio. Their actual contribution represented 17 per cent of their cumulative lending, which was a good achievement. This innovative approach has been extended successfully to business market derived infrastructure, with a cash contribution by beneficiaries exceeding the minimum requirement of 15 per cent of the total cost of each infrastructure scheme.</p>



Annex 2

Institutional identification, roles and capacity assessment matrix

Institution	Role in project	Capacity requirements
Ministry of Agriculture	Ministry of Agriculture through the National Directorate of Agriculture to serve as lead agency	Planning and budgeting, contract and contract management, M&E, knowledge management
Directorate of Irrigation	Procurement and overseeing consulting firms carrying out design and supervision of irrigation works, and of private contractors undertaking the works	Contract and contract management, M&E, knowledge management
National Roads Authority	Procurement and overseeing contractors carrying out road works, training in labour-intensive techniques, management of small-scale contractors, contract and contract management	Adequate technical capacity (e.g. engineers), procurement, contract and contract management, and supervision capacity
Provincial Directorate of Agriculture	Lead institution at the provincial level, facilitating linkages between the project and agriculture-related stakeholders in the province	Planning and budgeting, contract management, value chain development, M&E
District Directorate of Agriculture	Provision of extension support to farmer groups involved in the programme/project	Working on new value chains will require expertise currently not available. Extension agents will participate in technical training supported by the project
Farmer organizations	Organization of local marketing activities, participation in value-chain governance and in the development of service centres, shareholders in businesses to be established	Business management, organization development, governance
Inclusive rural finance services	Participation of relevant financial service provider in the project to provide a diverse range of financial instruments and/or required to support value-chain development	Technical expertise to design and implement adapted financial products and services, new and adapted delivery mechanisms, adapted management information systems (MIS), and accounting and financial management systems to respond to project beneficiary needs

Annex 3

Implementation arrangements through decentralized structures with local government units

Given IFAD's mandate to work in rural areas, it is good practice to involve local government units (LGUs) present in the target areas in project and programme planning and implementation. IFAD projects and programmes typically are people-centred and use participatory processes to involve target groups in selecting, prioritizing, planning and operationalizing agricultural development activities. In crafting these participatory and consultative mechanisms, care must be taken not to create parallel or stand-alone structures that will be confined to project initiatives and disappear after project closure. In most countries, decentralized governance systems and structures are already in place and are based on the decentralization principle of development through devolution of decision-making powers and control of the development agenda to local governments. This same principle is embedded in the democratic principle of rural citizens' rights to voice both their concerns and their aspirations to the local administration.

As IFAD strives to promote pro-poor rural transformation, governance issues in the public sector that affect service delivery should be analysed and acted upon. A number of ways are known – and, as a general principle, should be taken advantage of – to further enhance the downward accountability of public sector officials and service providers to their clients and users in decentralized settings. One such option consists of ensuring that a member of the project team is assigned to attend regular briefing sessions at the appropriate LGU (district assembly, county council, municipal assembly, communal council, or comparable body). Depending on the implementation arrangements, a decentralized PMU may be embedded within the LGUs and be tasked with providing briefings on the status of project implementation. The PMUs need to raise awareness of locally elected community representatives who attend such meetings. Generally, this can be done as part of a project's information, education and communication campaign.

A general principle, if consistent with the focus of the project, is to seek to link technical components to LGU-level technical committees for capacity-building, mainstreaming and sustainability, as well as fostering ownership.

Agricultural production projects can usually link with local government standing committees on agriculture. Information on existing committees and how they function can be provided either by the Head of LGU or by the local Ministry of Agriculture staff. If representatives of farmer organizations are not already sitting on these committees, the project should dialogue with the government to ensure they can do so eventually (the project could also build the capacity of farmer organizations' representatives and sponsor the cost of their participation, at least initially).

Market access projects dealing with agricultural value chain development should link with LGU-level standing committees if these include representatives from the chambers of commerce or trade, as well as local (private sector) business associations.

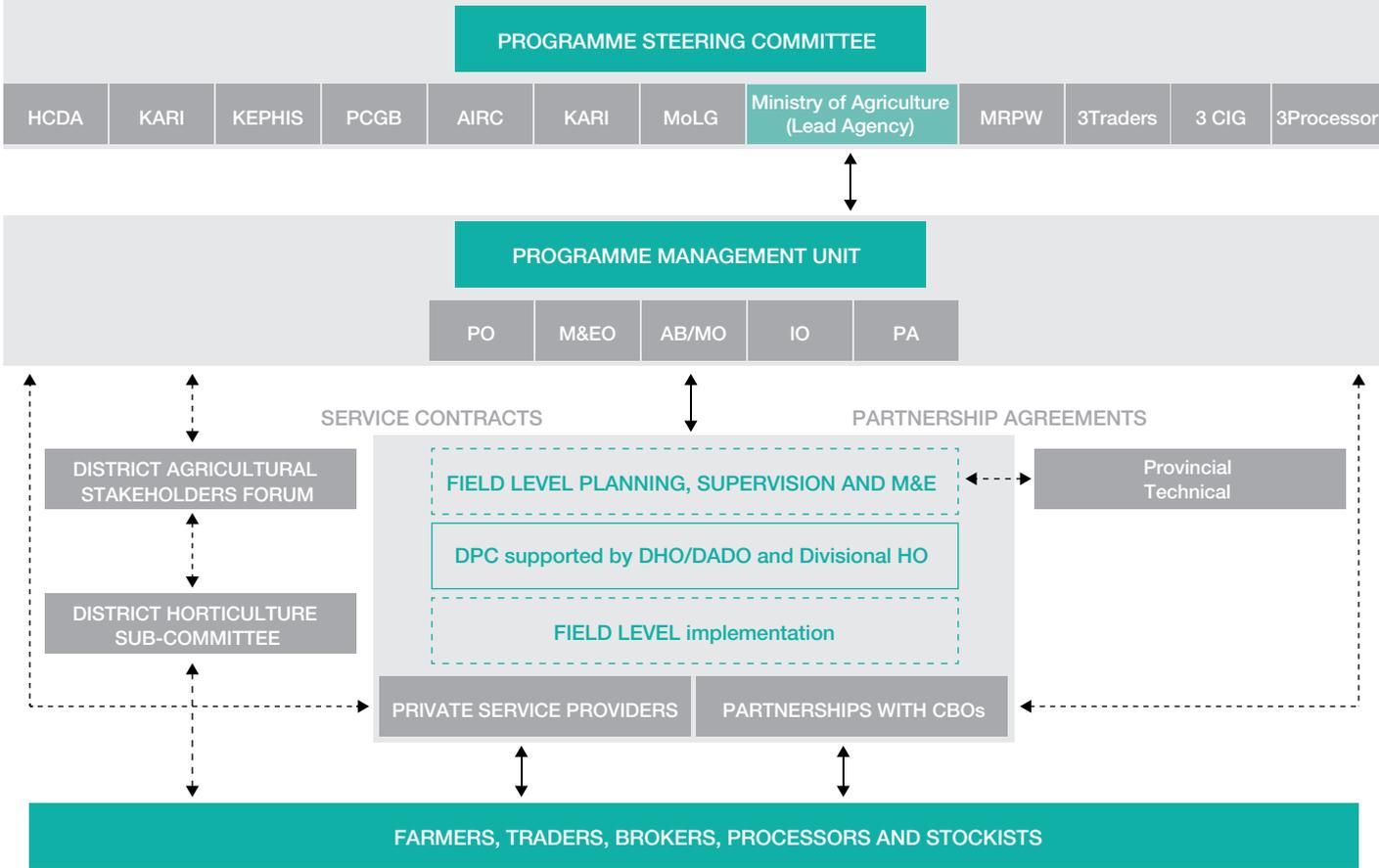
SME development/rural finance projects should, similarly, liaise with LGU-level standing committees only if these include representatives of the chamber of commerce or trade, and with local (private sector) SME associations, trade associations and representatives of the financial services sector (providers of inclusive rural finance).

The technical committees referred to above will be most useful for mainstreaming planning, coordination and operational processes, as well as for M&E. Below this level, there may be at least one or even two more layers of government. Because these will be the closest to the IFAD target

groups, it is important to establish liaison channels with them. Depending on the legislative framework and the policies in place, this level may or may not constitute a legal entity, even though its existence may be legitimate in the eyes of community members and their leaders, including traditional and customary authorities. Great care must be taken to ensure that the different types of goods and services are matched with appropriate local institutions (see IFAD 2015a Delivering Public, Private and Semi-Private Goods. Institutional Issues and Implementation Arrangements). It is at this level that natural resource management and indigenous peoples’ institutions, for example, are most effective.

Above the LGU level, there may be a regional or provincial institutional layer that also needs to be considered. Issues to be tackled here will be more strategic in nature and often related to the implementation of national and regional policies and regulatory frameworks. This is where functional linkages with the PSC(s) should be envisaged, and where draft annual workplans and budgets should be discussed and aggregated. Figure two shows a decentralized structure with relevant implementation levels and agencies, based on the example of the Smallholder Horticultural Promotion Programme in Kenya.

Figure 2. Example of a decentralized organizational structure



- | | | | |
|--------|---|--------|--|
| AB/MO | Agribusiness/Marketing Officer | KARI | Kenya Agricultural Research Institute |
| AIRC | Agricultural Information Resource Center | KEPHIS | Kenya Plant Health Inspection Service |
| CBO | Community-Based Organization | M&EO | Monitoring and Evaluation Officer |
| CIG | Community Interest Groups | MoLG | Ministry of Local Government |
| DADO | District Agricultural Development Officer | MRPW | Ministry of Roads and Public Works |
| DHO | District Horticultural Officer | NHFA | National Horticultural Framers Association |
| DPC | District Programme Coordinator | PA | Programme Accountant |
| Div Ho | Divisional Horticultural Office | PO | Procurement Officer |
| HCDA | Horticultural Crops Development Authority | PCPB | Pest Control Products Board |
| IO | Infrastructure Officer | | |

Source: Smallholder Horticultural Promotion Programme, Kenya

Annex 4

Setting up a project steering committee: key questions and guidance

Is there a need for a project committee?

The viability of establishing and operationalizing project steering committees (or PSCs) needs to be carefully evaluated. Experience has shown that, in practice, PSCs are often difficult to constitute and remain unsustainable and incomplete well into the project life. Preference should be given to using existing structures wherever these are available and can satisfactorily serve the needs of a project.

What should the composition and structure of a PSC be?

A PSC should be helpful to the project's management, not a distraction, so membership should be considered carefully. Although these decisions are taken by government (a minister or a permanent secretary), IFAD can try to contribute to the process if and when necessary in order to ensure that the PSC's composition is to the satisfaction of both parties. It is important (and useful) to include at least one beneficiary representative, client of the service, or potential user of the project being developed, as their views can be helpful in ensuring that the project is relevant and correctly targeted. For projects operating through decentralized structures or at various administrative levels (such as districts or regions/provinces) and in different geographical locations, it is necessary to consider establishing steering arrangements to serve the respective levels. It will, however, be crucial to streamline the structures and minimize any overlap in decision-making. PSCs should also not be technical executives or individuals from institutions that have no direct mandate over the project.

What should the terms of reference of PSCs be?

The terms of reference should be clearly stipulated and included in design documents. The role of the PSC should be limited to that of providing advisory, strategic and policy guidance rather than dealing with technical issues related to project execution. This includes tasks such as providing advice on budget execution; identifying priorities for the project; monitoring the quality of the project as it develops; and providing advice (and sometimes making decisions) about changes to the project to enhance implementation efficiency, relevance, effectiveness and sustainability. Experience shows that PSCs do not function well when: (i) members do not participate regularly; (ii) senior members tend to delegate meetings to junior staff who lack the experience or authority to contribute to strategic decisions; (iii) the PSC tends to shift from its strategic mandate to a technical focus over time as a consequence of weak leadership and limited capacity of members, especially where the PSC is dominated by junior technical members. Poor functioning of a PSC can also slow down decision-making.

Who should chair the PSC?

Leadership is a crucial determinant of the effectiveness of PSCs. The committees need to be chaired by persons of authority, with decision-making powers, ability to influence the participation of all PSC members and preferably positioned in institutions that have a comparative advantage in coordinating project stakeholders. It is good practice for the PSCs to be chaired by ministers, permanent secretaries or other senior persons within the lead agencies.

What are the incentives for participation?

Consideration should be given to creating an incentive system for PSC members. The nature of incentives will need to be in keeping with local practice but could include: (i) creating an opportunity for PSC members to travel by organizing meetings at the field level; (ii) providing capacity-building to PSC members to enable them to adequately understand the work of the project; and (iii) where it is common practice to pay incentives such as sitting allowances to PSC members, then making such payments is considered necessary for a project to guarantee participation.



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