

IFAD's Supervision and Implementation Support Policy

Corporate-level Evaluation

Executive Summary

Background

1. Following the results of the corporate-level evaluation (CLE) on the Direct Supervision Pilot Programme (DSPP) published in 2005, IFAD introduced direct supervision and implementation support (SIS) as a regular feature of its operating model. In less than five years, the Fund almost completely phased out its reliance on cooperating institutions and extended SIS services to 94 per cent of its projects. The Fund internalized the budget resources once allocated to cooperating institutions and used them to recruit and train staff and consultants and to equip IFAD with the management systems and structures that guided support to the recipients of its financing to another level.
2. Currently, projects benefit from SIS missions lasting 12 days, which are conducted about twice a year. These are composed of six members, on average, and cover technical aspects and fiduciary issues in a satisfactory manner. IFAD staff participate in about 90 per cent of the missions and even lead 55 per cent of them. The responsibility for loan administration and oversight of financial management was moved from IFAD's Programme Management Department (PMD) to the Controller's and Financial Services Division (CFS) in 2012 to strengthen the division of labour and accountability within IFAD with regard to fulfilling the Fund's fiduciary obligations. However, country programme managers (CPMs) still retain responsibility for procurement review and manage the budget to recruit financial management and fiduciary experts.
3. Projects now benefit from intensified institutional dialogue and implementation support through the assistance provided by 40 IFAD country offices (ICOs), staffed with 104 officers, of whom 79 are local and 25 are outposted staff. The benefits can be easily quantified, particularly in terms of reduced lag in project effectiveness and higher disbursement rates.
4. The impact of the move towards direct supervision on project performance seems evident: directly supervised projects fare better than those supervised by cooperating institutions against almost all performance indicators, but particularly those that matter to IFAD's target group the most, such as targeting, food security, gender and institution-building.
5. While partner governments enjoy the positive externalities of this closer relationship, such as the immediacy of decentralized decision making, staff have equally had the opportunity to learn more directly about rural poverty issues and successful project implementation arrangements, acquiring knowledge that can be used when preparing country strategic opportunities programmes, designing new projects and implementing ongoing operations. The reports issued by the arms-length quality assurance system prove that this knowledge has led to better designed projects, while portfolio reviews show that the attention to IFAD's priority issues led to more sustainable results.
6. Since bringing project design in-house in the 1990s, the move towards direct supervision was probably the most far-reaching change to IFAD's operating model and its history intertwines with the implementation of the nearly simultaneous decision to establish an IFAD country presence. This change agenda aimed at addressing IFAD's most important concern – increasing impact on rural poverty – and the CLE observed dramatic results, albeit within a fluid reality where many of the change elements are still unfolding.

As a result, the team found that assessing some of the consequences may be considered premature and attributing impact to specific elements particularly arduous.

7. Nonetheless, the CLE found that IFAD's achievements in terms of changing for the better through SIS speak for themselves and the evaluation came to a very positive conclusion. Introducing the IFAD Policy on Supervision and Implementation Support and implementation plan was ambitious for IFAD as a whole and PMD in particular, given the complexity of this undertaking in the middle of major organizational change. The rapid pace of the move to direct supervision, which took IFAD half the time it had originally planned, and the vast array of activities organized to implement the new model bear testimony to IFAD's firm commitment to taking on an expanded role in project supervision. It also demonstrates the drive on the part of IFAD Management and the commitment and ownership of country programme managers (CPMs) and their teams. IFAD embarked on its reform agenda forcefully and with satisfactory results. More benefits in terms of cost reductions and effectiveness will accrue when staff acquire further familiarity with SIS processes, considering that many ICOs staff are new and still need training and mentoring.
8. After the initial period of trial and error, good practices are emerging and these should be mainstreamed within SIS processes. These processes need streamlining both at operational and strategic levels through further designation of responsibilities between IFAD headquarters and ICOs and within units at IFAD. They also need strengthening through a quality assurance (QA) system that accords the same intensity and level of collegiality currently directed only at project design.
9. This CLE offers numerous suggestions for further cost reductions and effectiveness gains and identifies a set of priority areas for improvement where the potential pay-offs appear to be the highest. The recommendations that derive therefrom are all respectful of the heterogeneity of the country contexts in which IFAD operates and therefore of the SIS solutions that these require. They involve measures that are practical, budget-neutral and immediately implementable; they will also require a lowering of expectations vis-à-vis SIS activities, given the zero-growth budget scenario. Management can take the recommendations into consideration during the revision of the supervision guidelines, planned for the end of 2013. The key words emerging from the solutions offered by this CLE are accountability, sense of ownership and client orientation; strategic use of grant resources; emphasis on scaling up; strengthening the QA of SIS activities; and increasing efficiency.

Background

10. Upon the request of the Executive Board, the Independent Office of Evaluation of IFAD (IOE) started this CLE with the preparation of a synthesis report, which the Evaluation Committee discussed in October 2011. Based on the Committee's guidance, IOE proceeded with the preparation of the CLE inception report, which was finalized in April 2012. IOE presented the Evaluation Committee with the preliminary findings in April 2013.
11. This CLE espoused the principles of both a summative and a formative evaluation: on the one hand it reviewed IFAD's six-year experience with the implementation of the SIS policy; on the other, it looked to the future, in terms of ways to strengthen the implementation of SIS activities and their results. A two-pronged analysis followed: the CLE first assessed the SIS policy as an instrument guiding the institution towards the desired change; then, it assessed the adequacy of the various SIS activities organized to implement the policy. The assessment used the core evaluation criteria of relevance, effectiveness and efficiency and studied the impact of SIS at both the project and the country programme levels.

12. Building on the findings of the synthesis report, the CLE triangulated data and collected further information through a mix of instruments. These included interactions with IFAD Management and staff, the Programme Management Department's self-assessment note, the stakeholders' survey and the learning workshop, the meta-evaluation report, country case studies, field visits and consultations, and a benchmarking study that compared IFAD's SIS activities with those of other IFIs. The CLE also benefited from data and analysis carried out by the CLE on IFAD's efficiency and from the feedback provided by the senior independent adviser on the draft final report.
13. The area in which the CLE encountered most difficulty was the attribution of impact of SIS on project and country programme performance because of the complex set of factors on which these depend. Even by excluding exogenous factors such as changes in the country contexts, isolating the impact of IFAD's own change agenda items proved particularly challenging and before and after comparisons became meaningless.
14. For these reasons, the focus of this CLE has been on identifying the factors that drive effective supervision rather than measuring the impact of supervision on performance.

The policy

Relevance

15. IFAD introduced the policy after a lengthy period of analysis, pilot studies and preparatory work including the 2005 CLE on DSPP. This reflected a clear understanding of how fundamental a departure it represented from the previous business model with its reliance on cooperating institutions.
16. The principles inspiring the policy reflect the evolution of thinking of the international community about government ownership of the development agenda and the emphasis on results on the ground arising from the Paris Declaration on Aid Effectiveness. As a result, the policy acknowledges the fact that the government is the entity responsible for project implementation, and that supervision and implementation support will assist the project in achieving its development objectives.
17. The policy acknowledges that supervision and implementation support are two distinct instruments and offers clear definitions to differentiate between them. However, it points out that it is important to consider them as integral elements of a strategy aimed at enhancing impact on rural poverty, not only through better project outcomes, but also through more effective policy dialogue, scaling up of proven successes, closer partnerships, and greater efforts to create and share knowledge. In this way, the policy sets manifold expectations for SIS activities: country programme managers (CPMs) and their teams are not only to provide good quality SIS services and close the learning loop between project design and implementation but also to achieve a complex set of objectives related to the implementation of the new business model.
18. In the view of this CLE, the policy's objectives, overall strategy and design logic are coherent, and the proposed implementation arrangements and the monitoring and reporting provisions adequate. The CLE rates the relevance of the new policy as highly satisfactory. Well timed and carefully designed, it was buttressed by a large set of supporting policies, strategies and guidelines that raised the bar of IFAD's assistance to a much higher quality level.

Effectiveness

19. The policy's implementation arrangements include staff training, issuance of manuals and guidelines, the establishment of IFAD country offices (ICOs), setting up of QA systems and outposting of CPMs – all activities to be financed through the

budget resources once allocated to IFAD's cooperating institutions. The plan was for IFAD to directly supervise 75 per cent of its portfolio by 2017, while the remainder would remain under the supervision of cooperating institutions. Regardless of the implementation arrangements, the policy made IFAD responsible for implementation support in all cases.

20. The policy included a results framework developed with the aim of self-monitoring the progress of policy implementation, along with fourteen indicators identified for the achievement of three main objectives (mainstream the policy into the new operating model, create institutional capacity to implement it and create QA systems to monitor SIS quality). These indicators are specific, measurable, attainable, relevant and time-bound, and reveal an overall good quality framework.
21. As relates to the criterion of effectiveness, IFAD successfully implemented the policy against all of the indicators included in the results framework apart from two, which were partially achieved;¹ another two have become irrelevant since the adoption of the policy.² The main remark that the CLE makes at this level of analysis relates to the amount of resources dedicated to SIS – the policy expects results at country programme level but IFAD allocates resources for results at project level only. This consideration is further detailed in the section below and reflected in this CLE's conclusions and recommendations. The CLE rates the effectiveness of the policy as satisfactory.

SIS at project level

Relevance

22. Similarly to other IFIs, IFAD adopts a supervision model that envisages the fielding of official missions followed by regular exchanges between its staff and project management units (PMUs) primarily through correspondence and informal visits. The model works well and the CLE found good adaptation of the supervision approach depending on the stage of the project in the implementation cycle – more intense at the beginning, after the midterm review (MTR) or where problems arise, and less intense when the project is mature and faring well. It is noteworthy that the focus intensifies on sustainability starting from the MTR; however the focus comes too late in the case of scaling up, often during the last supervision mission only.
23. The CLE assessed the steps that each supervision mission takes to achieve its milestones and obtain its main deliverables – the aide-memoire and the supervision report. These steps involve interactions with a variety of stakeholders from beneficiaries to implementation partners. The CLE found that when any of these interactions are rushed or skipped altogether, the quality of SIS drops dramatically, the sense of ownership by country partners is reduced and SIS is perceived as a donor-driven process.
24. Although SIS missions are sufficiently frequent, the CLE questions their duration. In some cases, a large team is mobilized for a few days only. This is found inadequate for conducting meaningful field visits or providing feedback on implementation to the PMUs and government counterparts.
25. The composition and size of missions are generally satisfactory, although, in some countries, gaps in technical coverage were noted. Project directors expressed

¹ These relate to staff capacity-building, which needs further strengthening, and to the integration of SIS design into results-based country strategic opportunities programmes (RB-COSOPs): about a third of COSOPs produced in the last two years varied significantly in terms of the level of attention to SIS design.

² These relate to the intention expressed by the policy to maintain engagement with cooperating institutions for 25 per cent of its portfolio, which required better cooperation agreements. At the time of the policy's adoption in 2006, IOE pointed out in its comments on the policy that this intention ran counter to the spirit of the recommendations of past evaluations and the rationale behind the move to direct SIS. Management proceeded with the repatriation of the supervisory function for almost all projects (about 94 per cent) within five years from policy's approval.

dissatisfaction when the team members changed too frequently, lacked familiarity with the project and its context or adopted a "policing" attitude. Project directors appreciated, on the contrary, when there was continuity with regard to the team members mobilized, and when the team offered consistent advice and inspired staff with their experience and knowledge, and worked in a capacity-building mode. Missions handle fiduciary issues thoroughly and, in some countries, financial management experts provide support to project teams on a regular basis.

26. The CLE noted that in many cases missions struggle with the collection of primary data on progress as monitoring and evaluation (M&E) systems do not provide reliable information on time. Furthermore, baseline surveys are often not conducted on time or provide poor quality information. Of course, without this information, it is not possible to assess impact. Supervision is rarely able to compensate for this up-front failure and indeed, chasing up data during the mission can create friction, which affects the working relationship between the team and the PMU.
27. The CLE rates the relevance of SIS at project level moderately satisfactory.

Effectiveness

28. Although it is clear that major systemic issues cannot be addressed in the context of supervision missions, the CLE found that supervision reports are technically sound and provide good coverage of fiduciary and implementation issues. Often however, they lack a summary of the key issues to be addressed or include too many recommendations, which are not prioritized or do not take the capacity and workload of those implementing the project into due consideration. In other cases, aides-memoires are too long and place more value on summarizing progress than on guiding the way forward. Generally, the supporting analyses behind policy issues are thin and the recommendations they generate generic. This is understandable because these reports require specialized analytic work, which goes well beyond the scope of and the resources available to regular SIS missions.
29. Follow up on the recommendations on the side of IFAD is good overall, in particular where the project as a whole is experiencing problems. Issues are discussed carefully between IFAD, the CPM and ICO staff - where available - and focused and consistent action is taken. A good practice in this area comes from the Asia and the Pacific Division (APR). APR was the first to pioneer a QA system for project supervision in 2010, with the introduction of a technical review by an external independent consultant. A client feedback survey supports this review. The survey is sent to the consultants and the PMUs to get their views on the quality of the supervision process at the end of each mission and their feedback is internalized.
30. At department level, follow up takes place through the annual portfolio review process, which is the main in-house process for reviewing progress. This process generates high-quality reports, which provide an effective mechanism for identifying cross-cutting recurring issues, sharing learning and guiding IFAD's performance and its SIS services. The project performance ratings reflect a great deal of candour and realism on the part of CPMs, and the evaluation disconnect³ close to nil recorded by this CLE and past evaluations confirm this fact.
31. Many CPMs have also instituted a process of annual reviews where they hold meetings with their main counterpart officials and review the progress of the whole country programme. Some CPMs view their country programme management teams (CPMTs) as well engaged in this process. However, the CLE was surprised by the low level of participation by IFAD middle management (divisional directors) in

³ The evaluation disconnect is the ration of the ratings in the project completion report (PCR) and the last supervision mission compared to the IOE project evaluations. IFAD's evaluation disconnect compares very favourably with that of other IFIs

these important events – unlike at other IFIs where such participation is a regular practice.

32. Overall, the CLE found that IFAD is fulfilling its fiduciary obligations in a satisfactory manner. In the period since SIS was instituted, few cases of misconduct have been detected and, in those cases, prompt action was taken. IFAD maintains a good reputation of transparency and fairness in handling procurement and financial management as a result.
33. Overall, the loan administration function is discharged well - the establishment of the Withdrawal Applications Tracking System (WATS) has helped partly address the delays in processing withdrawal applications. However, IFAD still needs to upgrade its capability to handle applications online – as per the practice at the other IFIs – and drop the requirement for original hard copies of the applications, which is a major burden given the remoteness of some projects. IFAD also needs to look into the level of deposits in the special accounts: these are found to be too small for some projects and the delays in replenishments result in delays in implementation and contractors’ payments.
34. The CLE noted while looking into the mounting of fiduciary review missions that CPMs are allocated the budget to recruit financial management experts, including a travel budget for CFS officers. However, as of January 2012, CFS is responsible for discharging this function and, in theory, should be free to field a fiduciary review mission independently of the CPM's own judgement. In the view of the evaluation, CFS should be granted its own budget to discharge its role in complete autonomy.
35. While most of the fiduciary responsibilities have been moved to CFS and its officers, the CPMs and country programme officers (CPOs) are still responsible for the discharge of the procurement review function. This is proving quite taxing for them, and sometimes leads to major delays in the issuance of no-objection letters.
36. The traditional answer to procurement risks in IFAD has been to reduce thresholds for each method and exert more control over the process particularly for high-risk country contexts. Lower thresholds mean a higher, more intense involvement of IFAD staff in the procurement review process, which the already overloaded CPMs and CPOs cannot afford. APR pioneered an alternative arrangement under which one full-time procurement officer services the whole region. This arrangement is providing a faster response than that warranted by other divisions. Whichever the solution, this is an area that needs Management's attention.
37. Based on the above elements, the CLE assesses performance against the evaluation criterion of effectiveness as satisfactory.

Efficiency

38. In order to estimate the cost of the institutional architecture behind SIS processes and outputs, this CLE used various sources of information. It encountered two main constraints: first, there is no one system tracking expenditures against activities within IFAD; and second, IFAD does not have a reporting system for staff time. As a result, a number of assumptions were required and these led to the calculation of an average SIS cost per project of about US\$114,686, which places IFAD's SIS cost above that reported by the Asian Development Bank (ADB) (around US\$86,000) and below that reported by World Bank (around US\$120,000). However, both ADB and the World Bank account for their SIS cost differently, which makes comparisons particularly difficult.
39. The cost comparison between the SIS model and the cooperating institution model as implemented within IFAD itself is more meaningful. The comparison suggests that by internalizing the supervision function, IFAD has both delivered SIS services at a considerably lower cost and derived the substantial positive externalities associated with the SIS model.

40. The CLE also found good practices that reveal some potential to further improve the efficiency of SIS. These include: the reduction of systemic issues by further improving project design and readiness; applying a country programme approach to SIS by covering more projects with one mission and/or undertaking thematic reviews (e.g. financial management, M&E, gender) of the country programme when required; increasing the use of local expertise; and promoting horizontal collaboration among PMUs both in their country and abroad. Finally, there is the possibility of cost-sharing with the Government concerned, which could be agreed during design and/or financing negotiations.
41. Staff management is another area for efficiency gains. On one side, responsibilities between CPMs and CPOs need to be better defined; on the other, imbalances in the workload distribution need to be corrected, an issue also raised by the CLE on IFAD's efficiency. This CLE found that some country teams far too stretched – being responsible for too many projects sometimes in complex institutional settings and/or having ambitious objectives. Sometimes these teams do not have the time or the resources to provide good quality SIS services and deliver on all the objectives required by the new business model.
42. Following a recent decision taken by the Policy and Technical Advisory Division (PTA), technical advisers are now available for SIS purposes on a first-come-first-served basis. Although this move is in the right direction, it may be appropriate to consider a different approach, focused on institutional priorities such as participation in MTRs or provision of training for CPOs and local consultants. Finally, additional sources of technical expertise for SIS purposes could be provided by partnership with the Food and Agriculture Organization of the United Nations (FAO) Investment Centre (discussions are ongoing) and the IFAD-grant-funded operations at country and regional level, some of which are already providing effective SIS services free of charge.
43. The overall performance in the area of efficiency is rated satisfactory.

SIS at country programme level

44. Given the importance that the policy attaches to using SIS activities to enhance IFAD's impact at country programme level, the evaluation team looked at the way SIS shaped new RB-COSOPs and knowledge management efforts, helped build partnerships and provided the evidence for policy dialogue. Ratings have not been provided given the difficulty of attributing impact at this level.
45. **RB-COSOPs.** The evaluation focused its review on the RB-COSOPs produced in the last two years and found that all include references to supervision arrangements. The level of detail, however, varies considerably. Some contain a good level of analysis and detail on the subject while others pay more attention to overall management of the RB-COSOP rather than how to use SIS effectively. However, most of them draw specific and useful lessons that influence the design of the new country programme and this fact is reflected in the QA reports.
46. **Knowledge management.** Common belief on this topic is that IFAD is not doing a good enough job and that knowledge management as a whole is weak. This is not what the CLE found. First, the constant improvement of QA-at-entry ratings reflects, among others, a positive learning loop into project design generated by SIS activities. Second, the benchmarking study suggests that for many partner governments, IFAD is doing a better job at sharing the knowledge gained through project implementation than other IFIs. ICOs are making a major contribution to this and CPOs rightly see this as one of their key functions.
47. **Policy dialogue.** While achievements in this area are very promising, the CLE finds that IFAD's policy dialogue needs to be embedded within a framework of interaction with the Government conceived at the COSOP and project design stage and followed up with the commissioning of studies on policy problems and the

organization of learning events that disseminate these studies' findings to a wider audience. IFAD would be more effective if it based its policy dialogue on the evidence of results generated by its portfolio and on solid, well-researched evidence.

48. **Partnerships.** In general, IFIs face difficulty in developing meaningful operational partnerships. This is a particularly important obstacle for IFAD, which specialises in pilot projects and relies on governments or partner agencies to promote replication and scaling up. IFAD needs to follow up the findings of its supervision missions with targeted discussions with other development partners on a regular basis. The increase in IFAD's country presence is a huge step in lowering the transaction costs for other IFIs of partnering with IFAD – a significant constraint in the past.

Conclusions and recommendations

49. This CLE has identified eight main areas for improvement at both operational and strategic levels and where pay-offs seem the highest in terms of quality of IFAD's SIS. These are presented below, with a brief introduction to every recommendation to summarize the rationale.

At strategic level

(i) **Ownership.** There is considerable heterogeneity in the quality of the processes engendered by the various SIS activities and this is reflected in the sense of ownership experienced by partner governments. In some cases, partner government perceive SIS as a “donor-driven” process.

Recommendation: SIS activities should be a joint responsibility between IFAD and the Government. IFAD Management should prepare an accountability framework clearly setting out roles and responsibilities. IFAD should retain a leading role in the review of fiduciary issues while the government/PMUs could lead the process of identifying issues and solutions. The terms “supervision” and “recommendations” could be replaced by “joint implementation review” and “agreed actions”.

(ii) **Expectations of SIS.** Far too much is expected of SIS activities. It is important to point out that SIS cannot fill the gaps in project readiness, find solutions to lack of ownership, address major systemic issues, build local capacity and meet ever-increasing corporate demands. Either SIS expectations are reduced or more resources need to be deployed.

Recommendation: IFAD should make strategic use of its grant instrument and/or mobilize additional resources (i.e. ad hoc multi-donor trust funds) to enhance project readiness and support SIS activities. This would require the establishment of project preparation facilities.

(iii) **Scaling up.** In general, SIS missions provide adequate attention to sustainability issues but not to scaling up. Effective scaling up commences at the COSOP stage, is elaborated during design, and is consistently pursued during implementation through SIS activities.

Recommendation: Scaling-up opportunities for successful interventions should be reviewed during the course of SIS activities. This should involve the effective engagement of local and national authorities, in order to build ownership and provide political mileage for the achievements made.

Operational level

(iv) Flexibility of SIS. A host of variables determines the design of SIS activities, for example: project requirements, country and local context, and availability of human and financial resources for country programme management. Hence, no

single SIS model applies to all circumstances. Yet, CPMs could weigh up whether some of the good practices identified through QA processes could add value to their own efforts.

Recommendation: SIS arrangements, including budgetary allocations, need to be flexible and respond to the project and country realities in which IFAD operates. At the same time, IFAD Management should mainstream the QA system for SIS activities as implemented already by some regional divisions and expand it to ensure that the same intensity of quality review undertaken during the project design is maintained during implementation.

(v) **Client orientation.** It is not always clear that the main client of SIS activities is project management. While supervision reports are technically sound and provide good coverage of fiduciary and implementation issues, they are often focused on presenting too many overly detailed recommendations without sufficient prioritization.

Recommendation: SIS report formats and contents should be adjusted to the needs of project management. Agreed actions should focus on the key measures that have the highest impact on project performance. Aides-memoires should be shorter and the data requirements preceding the fielding of missions should be reduced to avoid overburdening PMUs.

(vi) **Reporting on results.** SIS activities cannot report on results unless project M&E systems generate reliable data. Almost every supervision report includes a thorough discussion of the M&E issues and concludes that this is an area of weakness. Lack of ownership by some PMUs remains an unresolved issue. Arguably, the battle here is lost and won at the project design stage.

Recommendation IFAD should further strengthen its efforts to ensure that a functioning M&E system is in place before project implementation starts. Consideration should be given also to making the completion of the baseline survey a condition for negotiation of the financing agreement.

(vii) **Knowledge management and evidence-based policy dialogue.** SIS activities are generating a wealth of information that needs to be more fully tapped for the purposes of policy dialogue. IFAD has made tangible progress in knowledge management activities and its country offices have been instrumental in this success. However, a more systematic approach is still required, especially on thematic issues at country and regional level.

Recommendation: IFAD Management should invest more in knowledge management activities linked to SIS and strengthen policy dialogue opportunities by using its middle management (regional directors) to bring systemic issues to the attention of the national authorities. Grant resources can finance knowledge management activities and research studies to support evidence-based policy dialogue.

(viii) **SIS efficiency.** In general, the frequency and composition of SIS missions are appropriate although gaps in technical coverage were noted occasionally. In some countries, SIS missions are too short to ensure adequate field visits and post-field interactions with the PMU and government counterparts. Since lengthening the duration of missions has budgetary implications, the CLE provides a number of suggestions for savings.

Recommendation: In view of a likely flat budget in the coming years, SIS efficiency could be enhanced by savings generated from the adoption of a country programme approach, whereby SIS activities

are implemented nationwide, with increased use of local/regional consultants; mobilization of technical support from PTA, FAO and grant-funded partners; and cost-sharing arrangements with governments. A part of these savings should be reinvested in additional capacity-building of CPMs/CPOs, further strengthening ICOs and extending the duration of supervision missions.