

# Overview

## Introduction

1. **Background.** IFAD's Management and Governing Bodies have always been concerned with the efficiency of the organization. This preoccupation intensified in the wake of the 2008 global economic and financial crisis, and is demonstrated by the budget constraints that currently affect many IFAD Member States.
2. The 2010 Annual Report on Results and Impact of IFAD Operations (ARRI) prepared by the Independent Office of Evaluation of IFAD (IOE) addressed efficiency as its main theme. An Issues Paper<sup>1</sup> served as the background for an in-house workshop on efficiency with Management and staff in 2010.
3. Following discussions with Management and the Evaluation Committee (EC), the Board requested IOE to conduct a corporate-level evaluation (CLE) on IFAD's efficiency. The draft approach paper<sup>2</sup> of the evaluation was discussed with the EC at its sixty-sixth session in March 2011. In September 2011, a team of consultants<sup>3</sup> was contracted following IFAD procurement guidelines and procedures. The broad objectives, scope and coverage of this evaluation were agreed with IFAD Management and the EC at the outset of the process.
4. This is the first evaluation of its kind carried out in multilateral and bilateral development organizations. It may well be among the most complex and far-reaching type of evaluation ever conducted by IOE. As such, it posed complex methodological challenges. Ample feedback was secured from Management and staff as well as from Member State representatives in Rome and at the country level. IFAD's President and the Governing Bodies are to be credited for their support of this undertaking.
5. This overview presents salient evaluation findings. It outlines major achievements and remaining areas of challenge that the Fund and its Governing Bodies should focus on to improve IFAD's institutional and project/programme efficiency.
6. The overview contains four sections. The introduction summarizes the context, purpose and structure of the overview. It also describes the conceptual framework for the evaluation and presents the evaluation's objectives, methodology and process. The second section traces Management's measures to improve efficiency following the 2005 Independent External Evaluation of IFAD (IEE).<sup>4</sup> The third section contains the major findings, and the fourth summarizes the main conclusions and recommendations. The overview is self-contained. Supporting data and evidence are contained in the main evaluation report and the working papers.
7. **Conceptual framework.** The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) defines efficiency as "a measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results."<sup>5</sup> IFAD has adopted this definition,<sup>5</sup> which is also used by the evaluation units of many multilateral development banks (MDBs).
8. Depending on the context, the results and measures of efficiency can be associated with outputs, outcomes and impacts. All three levels of efficiency are relevant. While the emphasis here is on impacts, especially scaled-up impacts, the other dimensions are also important because IFAD has greater control over them and they often pave the way towards impact and sustainability. Although different efficiencies generally move

<sup>1</sup> Issues Paper: [www.ifad.org/evaluation/arri/issues/2010/efficiency.pdf](http://www.ifad.org/evaluation/arri/issues/2010/efficiency.pdf).

<sup>2</sup> Approach paper: [www.ifad.org/gbdocs/eb/ec/e/55/e/index.htm](http://www.ifad.org/gbdocs/eb/ec/e/55/e/index.htm).

<sup>3</sup> The list of consultants is found in annex 14.

<sup>4</sup> IEE report: [www.ifad.org/gbdocs/eb/84/e/EB-2005-84-R-2-REV-1.pdf](http://www.ifad.org/gbdocs/eb/84/e/EB-2005-84-R-2-REV-1.pdf).

<sup>5</sup> See the Evaluation Manual: [www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf).

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

9. The conceptual framework of this CLE divides IFAD's efficiency into programme efficiency and institutional efficiency. Programme efficiency<sup>6</sup> is a measure of how well IFAD deploys its funding instruments (i.e. primarily its programme of loans and grants [POLG]) and its non-lending activities – knowledge management (KM), partnership-building and policy dialogue – to support development outcomes and impacts in its member countries. This extends beyond direct impact to scaled-up impacts, which partly depend on the complementary actions of IFAD's clients and partners.
10. Institutional efficiency is a measure of how well IFAD uses its administrative budget to deliver and manage its development programmes. For example, how efficiently IFAD organizes and uses its overall workforce has implications for the delivery of IFAD-supported programmes in recipient countries. As the primary interface with IFAD's clients, the Programme Management Department (PMD) is at the core of institutional efficiency. IFAD's oversight and support (O&S) functions, as well as its management of results, people and budgetary resources are also determinants of institutional efficiency. An overarching role belongs to the efficiency of executive decision-making, and to the oversight and guidance provided by IFAD Governing Bodies.
11. **Context.** It is important to underline some key characteristics of the wider context. First, IFAD has a specialized mission: to support smallholder agricultural development in remote rural areas where infrastructure and institutions are weak, access to markets pose a challenge, and development services are insufficient. This has implications for programme efficiency. Second, IFAD is a hybrid organization that combines the features of a specialized agency of the United Nations (and as such has chosen to adopt the main policy parameters of the International Civil Service Commission), with those of MDBs with respect to its operating model<sup>7</sup> and governance structure.<sup>8</sup> Third, IFAD is mandated to work in all geographic regions and the level of financial

resources at its disposal is modest – both as compared to the MDBs and relative to the demanding and diverse development challenges that it is seeking to address.<sup>9</sup>

12. These contextual factors constrain the Fund from benefiting from the economies of scale – in particular with respect to administrative overheads – available to other MDBs. They also entail that scaling up impact of IFAD operations – especially by enlisting others in its efforts, including governments, the private sector and other multilateral and bilateral organizations – is essential if the Fund is to make a wider impact on rural poverty and improve the efficiency with which it contributes to such outcomes. But for this to happen, partnership-building should have priority and IFAD would need to generate a substantial number of highly successful, creative and promising rural innovations ripe for scaling up by others. At the heart of scaled-up impact, therefore, is the need for IFAD to demonstrate high performance itself as an incubator of successful change. However, this does involve risk.
13. In principle, as called for by the terms of reference for this evaluation, IFAD's institutional efficiency should be judged against the backdrop of how other development organizations fare with respect to efficiency. However and quite apart from differences in operational mandates and size, benchmarking IFAD against other international financial institutions (IFIs) or development agencies is fraught with challenges. Agencies account for administrative costs in different ways, costs are a function of location, and the mix of services that they deliver to developing countries varies considerably. However, in a number of comparative assessments of performance across development organizations and bilateral programmes, IFAD ranks well on several dimensions (e.g. use of country procurement and financial management systems) but it is below average on measures of efficiency that relate to administrative costs and overhead.
14. **Constraints and limitations.** This type of evaluation has yet to be conducted by any international organization, and as such, there is very little published data on project efficiency. Data was only found for the World Bank, the Asian Development Bank (ADB) and the African Development Bank (AfDB). This did not facilitate comparisons between IFAD and other organizations.

<sup>6</sup> Project efficiency is a subset of programme efficiency.

<sup>7</sup> For example, a bulk of IFAD's development activities are financed by loans rather than grants.

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

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

15. IFAD's own evaluation data (both independent and self-evaluation) confirm that efficiency of IFAD-supported projects is among the lowest-rated criteria of performance, with little discernible improvement since 2006. However, a number of reports from other agencies have identified weaknesses in the way project efficiency is assessed.<sup>10</sup> An Inter-American Development Bank review of country strategies found that the absence of a clear definition of the concept of efficiency made its usage "uninformative". A review of 25 United Nations Development Programme (UNDP) evaluations found that in 40 per cent of the evaluations there was no efficiency assessment, and in a further 40 per cent the assessment was rated as poor or very poor. A review of 34 Swedish International Development Cooperation Agency evaluations concluded that only 21 per cent considered efficiency sufficiently.
16. There has been a general decline in the use of cost-benefit analysis (CBA) in both appraisals and evaluations. A 2010 World Bank study<sup>11</sup> found that the percentage of investment operations containing an estimate of the economic return had declined from nearly 70 per cent in the 1970s to approximately 30 per cent in the early 2000s. The World Bank Annual Review of Development Effectiveness (2009) commented that economic CBA had become a "dormant subject". An Inter-American Development Bank review found that only 8 per cent of projects with CBA achieved a high score for the quality of the economic analysis.
17. Other constraints included difficulties in the collection of data related to costs, especially staff costs allocated to different services and activities; challenges in obtaining the required data on operations and other functional areas, partly due to the fragmentation of databases; and retrieval of documents, especially those produced years ago. Moreover, while IFAD has introduced important reforms (e.g. in the area of human resources [HR], new operating model, etc.), their impact on efficiency has yet to materialize in full at the time of this evaluation.
18. Meaningful institutional efficiency trends are equally hard to capture. The Fund was initially established to provide financing for projects designed by other institutions. The Agreement
- Establishing IFAD did not allow for direct supervision, nor was IFAD expected to have country presence or be involved in policy dialogue. However, in recent years, there has been a radical shift in the operating model, with IFAD increasingly performing as a full-fledged development agency that finances investment projects and programmes, conducts its own supervision, is involved in policy processes, and has country representation in many Member States. The recent changes which go in the right direction imply a steep learning curve for the institution, continuing higher costs and an inevitable lag until the full benefits are realized.
19. **Evaluation objectives.** The efficiency evaluation has six main objectives. These are to evaluate the:
- Efficiency of IFAD's programmes, including country strategies, projects, grants, policy dialogue and partnerships, with particular attention to scaled-up impact;
  - Institutional efficiency of IFAD's programme management as well as its O&S functions;
  - Implications of the Governing Bodies on IFAD's institutional efficiency;
  - Institutional efficiency implications of IFAD's management of results, budgets and people; and
  - Implications of recipient country context and government processes that affect both the institutional and the project/programme efficiency of IFAD.
20. The sixth objective is to develop recommendations for IFAD to enhance its efficiency at all levels and propose indicators for assessing and monitoring IFAD's programme and institutional efficiency.
21. **Methodology.** The CLE takes 2005 as the baseline year to assess the reforms made to improve efficiency. This was the year in which the IEE was completed by IOE. It led to a series of reforms by Management. Even though the IEE focused largely on effectiveness and not efficiency, it serves as a good starting point for assessing the extent to which IFAD has moved forward in its reform efforts. However, in selected areas, the efficiency evaluation extends back to 2000, the year the Governing Council (GC) approved the Process Reengineering Programme.<sup>12</sup>

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

<sup>11</sup> This report is found at [www.worldbank.org/oed](http://www.worldbank.org/oed).

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

22. The evaluation relied on a mix of methods (qualitative and quantitative) and triangulation techniques to generate its findings. This included the review of documents, data analysis, individual and focus group discussions with IFAD Management and staff as well as with representatives of the Executive Board (EB) and the EC and the Audit Committee (AC), electronic surveys, field visits to five countries covered by IFAD operations, and discussions with staff of selected multilateral development organizations.
23. Moreover, the efficiency evaluation has also used existing independent evaluative evidence in published IOE reports including the Annual Report on Results and Impact of IFAD Operations (ARRI),<sup>13</sup> other country programme evaluations (CPEs) (e.g. on rural finance, innovation and scaling up, gender, private sector, direct supervision, field presence, and agriculture in Africa, etc.), and selected CPEs. This has allowed IOE to build on the wealth of data collected and conclusions generated through previous independent evaluations to supplement and strengthen the analysis conducted in the efficiency evaluation.
24. In sum, the evaluation is based on multiple and wide-ranging sources of primary and secondary information, data and evidence, including knowledge and judgments by IOE and its internationally reputed team of experts in different technical fields and evaluation. Attention was paid to ensuring that the evaluation methodology and process used were in line with the main provisions of the IFAD Evaluation Manual, Good Practice Standards of the Evaluation Cooperation Group of the MDBs, as well as the norms and standards of the United Nations Evaluation Group.
25. With regard to the aforementioned, IOE has used internationally recognized evaluation fundamentals and criteria in the efficiency evaluation, as contained in the IFAD Evaluation Manual. To facilitate understanding of some key terms used in this report, it is worth clarifying that project performance is a composite criterion based on the assessment of project relevance, effectiveness and efficiency criteria. Project performance is not necessarily aligned with IFAD performance, since other influences (in particular the performance of partner governments as well as exogenous factors) also contribute to project performance. IFAD performance, on the other hand, mainly assesses the contribution of the Fund to project design, supervision and implementation support, and learning from previous reviews and evaluation for strengthening design and implementation. Finally, the efficiency evaluation has also been able to discuss performance in non-lending activities (policy dialogue, KM, and partnership-building), which are increasingly becoming an integral dimension of IFAD's delivery model. Non-lending activities are assessed in each CPE from 2006, since it is included as a core evaluation criterion in IFAD's Evaluation Manual agreed with the EC.
26. **Process, phases, and deliverables.** Given the complexity of the evaluation and in line with the IFAD Evaluation Policy, IOE engaged two senior independent advisers<sup>14</sup> to provide inputs at different stages of the evaluation. Their report on the quality of the evaluation's process and contents is included as annex 10.
27. The evaluation was organized in four major phases: (i) inception; (ii) desk review; (iii) country case studies and discussions with comparator organizations; and (iv) preparation of the final report. The inception phase included building on the approach paper to develop further the evaluation methodology and the framework and instruments for data collection. The main deliverable from this phase was the inception report.<sup>15</sup> The desk review phase included a review of numerous key documents, electronic surveys, collection and analysis of data, and bilateral and focus group discussions with IFAD Management and staff as well as with members of the Executive Board and the EC. The desk review phase led to the production of working papers and an interim report that was shared with Management for review and comments.
28. Following the desk review phase, five country case studies were conducted in Honduras, India, Mali, the United Republic of Tanzania and Uganda. In most cases, national consultants undertook the case studies under the guidance of IOE and its consultants' team. The purpose of these case studies was to examine government processes related to IFAD activities and understand their implications for the efficiency of IFAD-supported activities. During this phase, the team also held discussions with and collected data from comparator

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

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

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

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

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

### Management efforts to enhance efficiency

30. Responding to the recommendations of the IEE, Management introduced an Action Plan to Improve IFAD's Development Effectiveness.<sup>16</sup> Efforts in the years immediately following the IEE were more focused on enhancing the relevance and effectiveness of IFAD operations than on their efficiency (e.g. introduction of a targeting policy, and undertaking direct supervision and implementation support (DSIS), etc.).
31. However, efficiency has received increased attention from Management and the Governing Bodies over the past three to four years. This is reflected in key corporate documents such as the IFAD Strategic Framework 2011-2015, that stresses the importance of devoting an increasing share of IFAD resources to programmes and projects and improving the efficiency of its business processes. It notes the need for better use of information technology in operations and in internal business processes as a means to this end. Moreover, IFAD launched a far-reaching Change and Reform Agenda in 2009, which aimed to tackle several critical aspects designed, inter-alia, to enhance efficiency, such as human resources reform and strengthening IFAD's organizational structure.
32. Enhancing efficiency was a key topic treated during the consultations of IFAD's Ninth Replenishment (IFAD9) in 2011. IFAD prepared a comprehensive paper on Managing for Efficiency<sup>17</sup> that was discussed at the October 2011 session of the Consultation. The main

elements of this paper, with inputs from Member States, were included as part of the final Report of the Consultation on the Ninth Replenishment of IFAD's Resources.<sup>18</sup>

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

### Main evaluation findings

34. This section provides the salient findings that are backed by evidence contained in the main efficiency evaluation report and its various working papers, as well as other independent evaluation reports by IOE. The section includes evaluation findings on IFAD's efficiency in eight areas including: (i) projects and programmes; (ii) programme management; (iii) O&S functions; (iv) results and budget management; (v) managing people; (vi) organizational structure, leadership and decision-making; and (vii) IFAD governing bodies. The final part (viii) in this section contains a discussion on indicators for assessing and monitoring project and institutional efficiency.
35. **Projects and programmes.** Over the past five to six years, IFAD has significantly expanded its programme of work (i.e. its loans and grants, including cofinancing from both domestic and international sources),<sup>19</sup> suggesting progress towards its aspiration for a leadership role in reducing rural poverty in all regions.
36. The majority of rural poor derive their livelihoods from agricultural-related activities. The country case studies found that governments, the rural poor and other country level partners are appreciative of IFAD's focus, inter-alia, on small and landless farmers, women and other marginalized communities.

<sup>16</sup> Approved by the Board in December 2005. See [www.ifad.org/gbdocs/eb/86/e/listdoc.htm](http://www.ifad.org/gbdocs/eb/86/e/listdoc.htm).

<sup>17</sup> See [www.ifad.org/gbdocs/repl/9/iii/e/index.htm](http://www.ifad.org/gbdocs/repl/9/iii/e/index.htm).

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

<sup>19</sup> From around US\$790 million in 2009 to US\$1.3 billion in 2012.

37. Data from the 2012 ARRI suggest that the performance of IFAD-funded projects is better than the agriculture sector operations of ADB and AfDB and on par with the World Bank's operations. However, it could be argued that the performance of IFAD operations is also better than the agriculture sector operations of the World Bank, if one takes into account that IFAD-funded projects are mostly implemented in remote rural areas (often with limited infrastructure, weak institutions, and difficult access to services and markets).
38. The performance of IFAD-financed projects has improved considerably since the IEE along most evaluation criteria. However, independent evaluation data indicate that not all targets set for the Eighth Replenishment period have been met.<sup>20</sup> In particular, project efficiency is the area where performance lags manifestly. The 2012 Results Measurement Framework (RMF) target was that 75 per cent of projects completed would be assessed as moderately satisfactory or better for efficiency. However, only 55 per cent of projects evaluated in 2009-2011 are moderately satisfactory or better in terms of efficiency.
39. Project efficiency is, in fact, among the weakest performing evaluation criteria. Problematic areas bearing on project efficiency include deficiencies in project designs such as excessive complexity and lack of readiness for implementation, weak monitoring and evaluation (M&E) systems undermining early identification of unforeseen problems, and slow response to issues emerging during implementation. However, it is worth noting that recent improvements in IFAD's own performance as a partner (see ARRI 2012) might, over time, lead to better project efficiency, given that IFAD's own performance is one important determinant of project efficiency (the other being government performance).
40. Adequacy of attention to project efficiency has been an issue. In turn that reflects an insufficient skill mix in task teams, and the need for better appreciation by staff and managers of the potential contribution of economic analysis to improved project designs. Appointment in January 2011 of a full-time adviser in the Policy and Technical Advisory Division to improve economic and financial analyses of IFAD-supported projects is a step in the right direction, but will take time before its full impact is visible.
41. Further, analysis of independent evaluation data on project efficiency and performance shows that: (i) performance is variable depending on country context (for instance, if disaggregated according to the World Bank's country policy and institutional analysis index). In particular, performance is weaker in fragile states and sub-Saharan Africa, as compared to other country categories (middle-income countries) and regions (e.g. Asia and the Pacific); (ii) a large number of projects have a moderately satisfactory performance<sup>21</sup> in most evaluation criteria. In particular, only about a quarter of the evaluated projects are rated "satisfactory or highly satisfactory" for efficiency; (iii) projects that are satisfactory or highly satisfactory in terms of efficiency also show better results in terms of overall project achievement,<sup>22</sup> sustainability and scaling up; and (iv) as mentioned earlier, project efficiency ratings are closely correlated with IFAD's own performance, suggesting that how IFAD does its work makes a difference to project efficiency and outcomes.
42. The aforementioned points to the need for IFAD to "raise the bar" vis-à-vis its own performance, to foster better efficiency for the projects supported by the Fund. Projects rated as satisfactory or highly satisfactory are more likely to be scaled up by other partners, for wider impact on rural poverty. Although over the past few years IFAD's own performance has improved considerably (see ARRI 2012), both independent and self-evaluation data suggests that it is satisfactory or better in less than half of the projects.
43. A higher share of "satisfactory or better" IFAD performance and a sharper focus on the testing and incubation of creative and innovative technological and institutional solutions to the myriad problems faced by the rural poor are essential for IFAD to become a global centre of excellence for smallholder agriculture development. This is an aspiration IFAD can achieve in the future, provided its ongoing institutional reform processes are further intensified. The improved performance will also help IFAD towards achieving its commitment of removing 80 million people out of poverty by end 2015.

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

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

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

44. With regard to country programmes, IFAD is making an important transition from focusing mostly on financing individual investment projects to a more integrated approach to country programming, with increased attention to non-lending activities (policy dialogue, KM and partnership-building) for scaling up. This is designed to ensure that the diverse range of IFAD activities collectively contribute to enhanced results on rural poverty reduction at country level. The introduction of results-based country strategic opportunities programmes (COSOPs) and the associated processes is part of this integration.
45. Five core issues constrain IFAD's efficiency and performance, both at the project level and at the country programme level. First, given the diversity of its clientele and the demand-driven nature of its assistance, IFAD requires a reasonably large menu of choices to be responsive to its members' needs. However, this has led to IFAD operations manifesting insufficient **thematic selectivity** and operations in too wide a range of subsectors. IFAD works in around 15 subsectors, and tracks and reports on more than 60 results areas. In several of them, analysis shows that total IFAD support over 2001-2010 amounted to less than US\$25 million each. This is too little to build adequate in-house expertise and a critical mass of technical skills in the related areas.
46. IFAD is spreading itself too thin, especially taking into account its evolving priorities towards partnership with the private sector, deeper engagement in policy dialogue at the country level and scaling up. Thus, there is a need for greater thematic selectivity to achieve better efficiency and effectiveness, and purposeful partnerships reflecting a more explicit division of labour that would allow IFAD to build the required critical mass of expertise in areas most important to its clientele.
47. Second, **country selectivity** is also an area that merits attention. Country selectivity can help enhance institutional efficiency. This however will need to be carefully reconciled with IFAD's mandate of working in all regions. Moreover, although IFAD's performance-based allocation system (PBAS) reflects adequate poverty focus, it could be aligned better with IFAD's scaling-up agenda. In particular, it should be reasonable to expect higher cost-sharing from the middle-income countries (MICs) thereby expanding the overall size of the POLG and the resources available for the poorer countries. Data from IOE evaluations suggest that this has not been the case consistently.<sup>23</sup>
48. Furthermore, IFAD's delivery model does not always take adequate account of differences in country situations. IFAD works in highly heterogeneous country contexts (MICs, fragile states, low-income countries, landlocked countries, small islands and others). They have different requirements and expect different things from the Fund.
49. In this regard, the strategic objectives and development activities outlined in COSOPs, or administrative budgets for analytic work, COSOP preparation, project design, supervision and implementation support, country presence, and non-lending activities generally tend to be similar. They are not sufficiently differentiated to reflect national HR availabilities or institutional capacities, or the degree of national ownership of IFAD's rural poverty agenda. Thus, IFAD activities in MICs should be expected to emphasize knowledge-sharing content. In countries where portfolio performance is particularly weak (e.g. in fragile states), more budget should be allocated for implementation support. Where economic and social policies have an urban bias, policy dialogue may be emphasized. In fact, the need for more differentiated approaches was underlined in the ARRIs in the past.
50. Third, in addition to the need for greater thematic and country selectivity and customization, IFAD could exploit more fully the opportunities offered by **strategic selectivity**. In particular, IFAD needs to actively pursue strategic partnerships in countries with very small PBAS allocations and not favour stand-alone operations in such cases. As a matter of fact, under the Eighth Replenishment, some 30 countries had allocations of US\$5 million or less over a three-year period (2010-12). Given the inevitable fixed costs associated with IFAD's project cycle, greater strategic selectivity would enhance the quality of lending relationships as well as IFAD's institutional efficiency.
51. Fourth, IFAD should tap the benefits of **instrument selectivity**. This evaluation confirms the findings from several previous evaluations<sup>24</sup>

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

<sup>24</sup> Such as the Joint Evaluation with AfDB on Agriculture and Rural Development in Africa (2010).

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

52. IFAD's grants programme is a key instrument for achieving the organization's overall objectives. However, it is not yet delivering to its potential. The programme is not sufficiently linked to country strategies in the COSOPs nor does it provide support to countries for project preparation and capacity-building, a finding also documented in CPEs<sup>25</sup> conducted by IOE. The monitoring and supervision of the grants programme has traditionally been weak, as has the dissemination of findings from grant activities; this limits the opportunities for organizational learning.<sup>26</sup>
53. The Fund is increasingly recognizing that KM is important for better development effectiveness. Results on KM show a steady improvement from around 10 per cent of country programmes being evaluated as moderately satisfactory or better in 2006-2008, to around 70 per cent in 2009-2011. However, there is room for further improvement, as relatively few resources have been allocated to KM, little formal opportunity exists to share knowledge among country programme managers (CPMs), and efforts to learn from failures can be further expanded.
54. Fifth, the country case studies have underlined that **government performance** is one of the key factors affecting the efficiency and overall performance of IFAD-funded projects and programmes. This is important given that IFAD operations are implemented by government institutions and other in-country partners.

<sup>25</sup> See, for example, the Kenya CPE in 2011.

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

While government performance in some countries may be satisfactory, government processes are cumbersome (for instance, for the release of counterpart funds or approval of new loans from IFAD) and HR and institutional capacities (e.g. for project preparation and M&E) are weak on the whole. The problem is exacerbated at lower administrative levels,<sup>27</sup> especially in fragile states and low-income countries where IFAD operates. The evaluation finds that IFAD has not done enough in the past in capacity-building, for example, in providing grants for technical assistance for project preparation, implementation, and scaling up IFAD-supported operations. In this regard, the 2012 and previous editions of the ARRI, as well as the joint Africa evaluation emphasized the need for IFAD to enhance efforts to strengthen government performance in the agricultural sector.

55. Last but not least, innovation and scaling up are critical to IFAD's mission. In this regard, IFAD has invested considerably over the past decade in promoting innovations in institution-building, gender equality, women's empowerment and participatory approaches, but less in the development of pro-poor agriculture technology. There are examples of successful innovations that have been scaled up by others, but scaling up in the past has not been pursued in a systematic manner. Serious efforts are now being made by Management to identify pathways for scaling up early on in the COSOP preparation and project design phase. For this objective to be realized in a timely manner, among other issues, greater resources will need to be allocated towards non-lending activities, and staff skills and competencies further strengthened in this area.
56. The innovation and scaling up-driven approach will require rethinking about the nature of the projects supported by IFAD and the way IFAD would judge its performance. In a successful country programme, the majority of projects will be those that replicate, expand, modify, refine and adapt scalable innovations over time with increasing levels of government and third-party financing. However, at the beginning of the cycle, where prototype testing is called for, there may also be a need for smaller, simpler projects based on lighter preparation up front, but with greater support during implementation. They will involve higher risks but also potentially high rewards and will require a cultural shift from risk avoidance to risk management.

<sup>27</sup> At the state, provincial and district levels.

57. **Programme management.** Over the years, with a view to enhance the quality and impact of its operations, IFAD has filled gaps in policies, strategies and guidelines that were identified by the 2005 IEE. Staff now has access to reference documents for programme development and management. However, a review of key corporate policy documents submitted to the Board over the years, including policies on targeting and grant financing, reveal that new policies/strategies often do not realistically take account of implementation costs or HR implications. This may compromise efficiency and effectiveness in the delivery of corporate policies/strategies.
58. In 2007, IFAD made what is probably the most far-reaching change to its operating model since bringing project design in-house in the 1990s. Following the results of the CLE on the Direct Supervision Pilot Programme (2005), the Board agreed to Management's request to introduce DSIS as a regular feature. In a relatively short period, nearly all projects benefited from DSIS. DSIS also allows staff to learn more directly about rural poverty issues and feed the knowledge back into COSOP preparation and the design of new projects and implementation of ongoing operations. Direct supervision and implementation also allows for more staff attention to IFAD's priority issues such as gender, participation and targeting, and provides an opportunity for staff to engage in country level policy dialogue and partnership-building.
59. However, IFAD is still dealing with the implications of the transition to the new operating model and a number of issues limit the effectiveness of IFAD operations. IFAD's core in-house technical skills are insufficient to allow systematic participation of technical staff on key missions; team composition is dominated by consultants, reducing both institutional consistency and learning by staff; team leadership is still often outsourced to consultants (though PMD is actively making efforts to change this); quality assurance (QA) of supervision deliverables at key stages quality assurance such as midterm reviews is improving but still needs more attention; and there are significant workload implications for CPMs arising out of new initiatives, not all of which are funded (e.g. scaling up, policy dialogue, private-sector partnerships, etc.). These issues combine to make it difficult for IFAD to meet the requirements of quality management expected under the new operating model. Addressing these issues may however also require additional expenditures. This will affect short-term output efficiency, but may be necessary to achieve longer-term impact efficiency. In fact, the need for far greater selectivity is partly linked to this fact – that higher unit costs for supervision and project design are likely to be needed to deliver on IFAD's mandate of excellence, creativity and innovation, which is necessary for greater impact efficiency.
60. Country presence is another far-reaching change in IFAD's operating model. Again, based on the results of the CLE of the Field Presence Pilot Programme (2007), the Board agreed to the establishment of a limited number of country offices in each region. Currently, around 40 IFAD country offices are operational in different regions. IFAD's approach to setting up country offices has been different from other international organizations: in most cases IFAD has preferred to explore co-hosting arrangements, especially with other United Nations organizations (in particular FAO and in some cases the World Food Programme) and tried to contain costs by limiting asset accumulation.
61. In recent years, IFAD has also taken a more systematic approach to establishment of country offices – including issuing comprehensive guidelines for IFAD country offices and incentives for the outposting of CPMs. An interdepartmental coordination group was also formed in 2012 to ensure the more orderly setting up of country offices, and to ensure that their requirements are met in a timely manner.
62. Independent evaluations repeatedly highlight the wide-ranging benefits of IFAD's country presence. The evaluation agrees that IFAD's expansion of country presence and the so far limited outposting of CPMs has been highly beneficial to furthering its mandate and policy priorities for the IFAD9 period (e.g. in terms of more emphasis on implementation support and policy dialogue aimed at scaling up). It should be recognized, however, that outposting of CPMs is relatively slow and does not yet appear to be driven by a coherent country-specific strategy and priority. On the other hand, depending on the unit costs of high-quality, locally recruited staff, the expansion of IFAD's country presence could lead to cost pressures in the future, unless decentralized decision-making and countervailing savings (e.g. in travel costs and, particularly, offsetting reductions in staff at headquarters) can be identified and implemented. Further efforts in taking into account, on a case-by-case basis, the costs as well as the benefits of expanding country presence and deploying CPMs in country offices has become an efficiency imperative.

63. For example, a more radical decentralization strategy might unleash creativity and innovation. However, it could be costly and it would have major implications for IFAD's operating model, corporate business processes, HR management, performance evaluation systems, and information and communication technology (ITC) requirements. An assessment of management roles at headquarters and the field as well as what functions and decisions would be more effectively and efficiently made in the field needs further attention. The tradeoffs between maintenance of common culture, institutional perspective and learning across units versus responsiveness to country circumstances are real. Future stages of country presence expansion will therefore have to be designed with care to ensure that both effectiveness and efficiency considerations are carefully considered.
64. The Fund revised and introduced a comprehensive quality-at-entry system in 2007/2008, aimed at improving the quality and process of project design. In particular, an arms-length QA group was established by the Vice-President's (VP's) office. This function was transferred in 2012 to the Strategy and Knowledge Management Department. However, the practice of a heavy quality enhancement (QE) review, followed by a QA review prior to approval is costly and cannot substitute for building quality into original designs by injecting quality field input by IFAD technical staff, both at the design stage and during implementation. The recent (2012) streamlining of the QE process goes in the right direction, as it allows more participation of technical advisers in project design and supervision missions. It would, however, also be worthwhile to review the QA function in light of the modified QE process.
65. The outputs of CPMs vary considerably, and the lack of mechanisms to balance workloads through cross-country or cross-regional support reduces efficiency in the deployment of staff and budgets. CPMs still tend to work in silos, a trend also noticed by the IEE, and they have few opportunities to share their knowledge and experiences with other CPMs proactively and systematically, especially across regional divisions.<sup>28</sup>
66. The role and accountability of regional directors for the quality and long-term impact of the regional programmes is not clear, especially in light of the out-posting of CPMs. In this regard, for example, the evaluation found examples where regional division directors have not provided sufficient guidance and oversight in the preparation of COSOPs and other deliverables. Though this might not be systematic across all regions, it is an issue that merits consideration in the future.
67. Finally, over the past few years the organization has devoted unprecedented attention to portfolio performance reviews and management, underpinned by a comprehensive and improving self-evaluation system. This is essential, and reflects a welcome change in culture and emphasis from an "approval mind-set" in the past to a more "results-oriented" focus.
68. **O&S functions.** Given that these functions have important implications for IFAD's institutional efficiency, Management has undertaken a number of initiatives in recent years to reduce costs, contain unit budgets, and improve the capacity of O&S units. Under IFAD's Eighth Replenishment period (2010-2012), Management's main instrument for improving efficiency was the Change and Reform Agenda. More recently, Management made key commitments to improve cost and process efficiency over the IFAD9 period (2013-2015). Measures implemented for O&S units in connection with the Change and Reform Agenda include: (i) real budget growth for support activities (Clusters 3 and 4) constrained to zero or near zero; (ii) a new Investment Policy, introduced in 2011 to strengthen management and oversight of portfolio performance and risks; (iii) external reviews carried out in 2010 and 2011 of the Controller's and Financial Services Division (CFS), Treasury Services Division, Human Resources Division, ICT Division (ICTD) and the Office of the Secretary's (SEC) Member Relations and Protocol Services Unit; and (iv) a new financial management model, which comprises the introduction of a new loans and grants management business model; updated policies and procedures, including risk-based controls and disbursements; greater use of automated processes; and development of adequate financial skills among CFS staff. However, it is too early to assess these measures from an efficiency perspective.
69. The evaluation found that IFAD spends a larger share of its administrative budget on its O&S units than most of its comparator institutions. The higher spending is partly due to IFAD's small size, but is also due to the relatively high costs of some divisions such as SEC, Communications and Administration, as well as minimum institutional and operating requirements for some O&S services. Changes in organizational

<sup>28</sup> For example, one platform for knowledge sharing is the "CPM forum" held a few times per year.

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

70. While Management has sought efficiency gains principally by constraining the budgets of O&S units, actions in different areas have not been articulated within an overall strategy focusing on the underlying cost drivers, the trade-offs between output efficiency and outcomes, and the potential for outsourcing and delegation to country offices. Without emphasis on the underlying cost drivers and adequate capital and administrative budgets for mission-critical activities such as ICT, this approach risks eroding quality and service standards and could lead to shifting some O&S service delivery to front-line units.
  71. Output efficiency is held down by cumbersome corporate business processes and tight ex ante controls. For example, notwithstanding the reforms undertaken in 2012, IFAD's travel module includes 43 process steps from beginning to end. Procurement of services through institutional or commercial contracts has many steps, is unclear and extremely time and labour-intensive.<sup>29</sup>
  72. The processing of withdrawal applications and time taken for loan disbursements is lengthy as compared to other IFIs. This was found, for example, in the recent Indonesia CPE, and is partly due to its Rome-centric nature and limited capacities in, and delegation of authority to, IFAD country offices for routine functions. Final financial settlements (e.g. for travel) for staff and consultants are lengthy. The evaluation therefore underlines the need for deeper reforms of corporate business processes as a priority area for enhancing IFAD's efficiency through capital and administrative investments in a well-designed ICT platform. This would also contribute to improving the Fund's Professional (P) to General Service (GS) staff ratio in the future.
  73. An important step has been taken to develop a vision for ICT services for the period 2011 to 2015 to enhance its core capabilities to support IFAD with better access to infrastructure, online communications and collaborative tools. However, unlike its comparators, IFAD has not made much progress in using ICT to leverage staff capabilities. Inadequate governance and a lack of clear ICT strategies to implement the
74. The ICTD has focused on routine maintenance of ICT services rather than being a strategic partner supporting the transformation of business processes. A narrow focus on cost reduction, as reflected in the elimination of the help desk and staff training, risks impairing outcomes. IFAD's overall efficiency, in turn, is hampered by inadequate ICT services, including the lack of integrated and interoperable systems, information standards, easy access to enterprise information, and efficient search-and-analysis functions.
  75. **Results and budget management** are other drivers of institutional efficiency. The attention to measuring and reporting on results is increasing both within IFAD and its Member States. Since the IEE, IFAD has invested in a comprehensive results management framework that is aligned with the replenishment cycle. Since end-2006, each country strategy document has a results framework, with provisions for annual reviews, a midterm review and a COSOP completion review. Projects are required to have a logical framework, with clear and measurable indicators, ensuring that the Results and Impact Management System (RIMS) indicators are also adequately covered. Client surveys at the country level are undertaken periodically to collect client perspectives on the performance of IFAD across numerous indicators.
  76. Each year at the December EB session, IFAD Management reports (through the RIDE) on performance against the main indicators covered by the corporate RME, agreed with Member States. Quarterly performance reviews are held internally during the year, as a means to track progress and make mid-course adjustments as and where needed. Over time, and as mentioned earlier, efforts have been made to strengthen the self-evaluation system. For example, project status reports (PSRs) are prepared once a year during implementation, providing a summary of project performance. The RIMS surveys, though variable in quality, generate a fair amount of data that is used for reporting project performance. Direct supervision since 2007 has supported the results agenda, by ensuring greater focus on collection of data in key areas of concern to IFAD.
  77. Several factors constrain the efficiency and usefulness of IFAD's results measurement. It is overly complex. Many indicators and different

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

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

78. Baseline surveys are needed for any results evaluation, but are not always conducted in a timely manner, and in several projects, not done at all, often because the funding comes from the project funds and is not available until after the project is approved. Project M&E systems are often overdesigned, especially in light of local capacities, and reporting on outcomes and impact levels of the results chain remains weak because of this. This is however a challenge faced also by other development organizations. The quality of PCRs varies, and the RIMS indicators are often not properly or fully reflected in project-level M&E systems. IFAD's RIMS reporting requirements often pose an extra burden on project authorities as they are required to track and report results to a single donor (IFAD), thereby increasing their transaction costs in contravention of the provisions of the Paris Declaration on aid harmonization and alignment with country systems.
79. With regard to COSOPs, annual reviews are not being performed across the board, and COSOP midterm reviews are often done late and can be of low quality. Moreover, COSOP completion reviews have not yet been introduced as required by the guidelines for results-based COSOPs approved by the Board in September 2006. Such reviews would give Management and Board an overview of the achievements of country programmes (beyond individual projects) at the end of each COSOP period.
80. In fact, measuring and reporting on overall achievements of IFAD activities, in particular country programmes including the extent to which policy dialogue, KM, partnership-building and grants are having a synergistic impact aimed at supporting scaling up, has not received the necessary attention. On this topic, once COSOP completion reviews are introduced, IOE could embark on their validations (as for PCRs). This would further align IFAD's overall evaluation system with the MDBs and increase the robustness of results reported both by Management and IOE.
81. Finally, there is little evidence that IFAD's results framework effectively guides planning decisions and accountability, starting from the impact and outcome end of the results chain, or that work programmes are based on adequate strategic selectivity informed by results.
82. Probably for the first time, IFAD is making progress in instilling a stronger budget management culture. More attention is being devoted to budget formulation, monitoring, execution and reporting. The 2013 budget process resulted in strategic shifts totaling US\$9.4 million (6.5 per cent of IFAD's total budget) across departments, with a view to strengthening some business units and containing other costs. The 2013 budget has also enhanced transparency in the funding of recurrent costs (e.g. several staff positions and some ICT costs) through the annual budget instead of the previous practice of using a part of the management fees from supplementary funds.
83. For several years, resources have also been increasingly shifted towards Cluster 1 (country programme management, project design (loans and grants), and supervision and implementation support), which is the core area of IFAD's work for achieving impact on rural poverty. Some additional resources are also being provided to Cluster 2 (high level policy dialogue, resource mobilization and strategic communication), which is also critical for meeting the commitments in the Ninth Replenishment period. These shifts in resource allocation deserve to be commended.
84. The evaluation finds that IFAD's results-based budgeting practice could be further improved to provide stronger links between budgets and work programmes and deliverables and expected and actual results. For example, the RIDE and ARRI, IFAD's two annual corporate documents that report on results and lessons learned, are considered by the Board only after the latter considers the POLG (and administrative budget) for the subsequent year. These factors lead to weak accountability for results and for managing budgets and people accordingly.
85. Improving results-based budgeting will fundamentally depend upon the preparation of work programmes informed by results and through greater autonomy of budget management and accountability for results at the department level, as well as stronger links between work programmes, deliverables and budgets; the latter in turn will require significant enhancements in current cost information systems.

86. Budget allocations do not appear to be transparently based on priorities or on trade-offs across and within departmental work programmes, with a medium-term results perspective. IFAD introduced the first Medium-term Plan (MTP) in 2010 for 2010-2012 (and the second one for 2013-2015 has also been prepared) to address this deficiency, but it has not as yet served to provide adequate guidance on strategic selectivity for work programmes and budgets in the medium term. In the absence of an effective medium-term budget framework, budget planning is done with a one-year horizon, which is suboptimal for results-based budgeting in a development organization. Accountability for budget management has been weak due to the absence of an iterative top-down and bottom-up process of aligning work programmes and budgets during budget formulation. Improvements in prioritization and trade-offs in budget allocations were made during the 2013 budget formulation (carried out after the completion of the CLE review), which required business units to decide on trade-offs within a flat nominal budget.
87. The absence of an integrated review of work programme delivery and budget used in the past, timely reporting to the EB on such reviews and meaningful key performance indicators contribute to major gaps in IFAD's efficiency. This is also partly attributable to the fact that budget data on actual expenditures (especially staff costs) is not easily retrievable from the supporting information systems, which constrains timely decision-making. Starting in 2011, however, Management made a concerted effort to undertake detailed mid-year budget reviews and track budget execution on a more frequent basis. This has allowed the organization to make reallocations, as needed, during the year for better results.
88. IFAD's corporate budget function is significantly understaffed and therefore highly stretched in executing its functions, and lacks the necessary seniority, visibility and influence to perform the required corporate oversight and analysis. This is also limiting the contribution of the budget function towards results-based corporate strategic planning and budget formulation and implementation. It is however noted that recently the Budget and Organizational Development Unit was moved directly under the VP.
89. **Managing people.** HR management is a core dimension of IFAD's institutional efficiency and has been a persistent challenge for IFAD for more than a decade. The lack, until recently, of continuity at the head of the HR function has exacerbated matters and made it harder to achieve sustained focus and progress.
90. As a specialized agency of the United Nations, IFAD has traditionally followed the recommendations of the International Civil Service Commission applied across the system – including in the Rome-based United Nations organizations. IFAD has adopted the salary scales and associated benefits packages and pension scheme available to United Nations staff, which is different from and arguably less flexible and competitive than the systems adopted by other MDBs.
91. The CLE recognizes the scope and ambition of the current HR Reform component of the Change and Reform Agenda introduced in 2009, which includes key measures with the aim of better people management and staff performance. The pace of implementation of the reform has picked up under the leadership of the new division director appointed in 2011.
92. In addition to the reform agenda, IFAD has been making progress in recent years to ensure better people management. Some of the positive key features introduced include: incentives for outposting staff from headquarters to the field; more resources allocated to corporate training; the introduction of induction programmes for new staff; a rigorous staff recruitment process that ensures the system is transparent and merit-based; a field immersion programme for staff not working in operations; and the production of new staff and non-staff rules. Finally, in 2012, IFAD completed an extensive job audit and strategic workforce planning exercise, which could be a significant step forward towards achieving efficiency gains in workforce composition and allocation. Important areas of people management continue to require attention, most importantly that of performance management.
93. In this regard, IFAD has a cutting edge staff performance evaluation system in terms of design and process, which is well supported by the Human Resources Division. However, the performance evaluation system is not yet assisting the organization in managing for performance, which is critical to enhance overall efficiency. Most staff annual performance ratings fall in the category of fully satisfactory, with some being rated as superior or outstanding, but very few as partly satisfactory or unsatisfactory. This reflects a risk-averse approach to performance management in general and a desire to avoid the formal grievance process (internal and external).

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

94. IFAD's operating model has evolved over the past years, for instance, with the introduction of direct supervision and implementation, greater attention to scaling up and private sector engagement, and more emphasis to non-lending activities, including policy dialogue at the country level, partnership-building and KM. The evolution of the operating model implies that staff (especially CPMs) are being asked to manage processes and activities for which they may not be adequately prepared. This is constraining the delivery of results (e.g. on policy dialogue at the country level), and is an area that needs to be addressed rapidly if IFAD is to meet its commitments for the IFAD9 period and beyond.
95. Another area highlighted by the evaluation is related to the use and management of consultants. As reported earlier, IFAD is overly dependent on consultants for core operational activities, and compared with other IFIs, consultants are a larger part of IFAD's overall workforce. Yet the process for their selection is delegated mostly to the hiring division, often to the CPM, with little institutional oversight over the caliber of consultants hired, as compared with the rigorous and transparent staff selection processes aimed at enhancing staff quality-at-entry. This practice exposes IFAD to inefficiencies and risks the quality of its outputs. In spite of some recent adjustments in 2013, IFAD's consultancy fee rates have not kept up with those of other MDBs. This limits the organization's capacity to mobilize world-class experts, especially in specific areas of IFAD's new operating model, and translates into a high number of rate exemptions, further contributing to a lengthy approval process and inefficiencies.
96. IFAD's workforce (staff and consultants) costs constitute 80 per cent of the administrative budget. Staffing demographics are driven by low voluntary turnover, partly explained by an attractive Rome location. This has resulted in a top-heavy grade structure at both the P and GS levels. Natural attrition offers scope to bring in the desired mix of skills within the current workforce. The high ratio of GS to P staff relative to comparators is due to underinvestment in ICT and automation. Expanding IFAD's country presence, accompanied by local staff expansion, could help lower per capita staff costs assuming responsibilities and functions are devolved to country offices. However, there is little evidence yet of reductions at headquarters to offset increases in staff in IFAD country offices. A recent decision to cut back on recruitment of new GS staff in PMD at headquarters is a step in the right direction.
97. **Organizational structure, leadership and decision-making.** In the past few years, IFAD has devoted budget resources towards strengthening its organizational structure through the creation, inter-alia, of the Strategy and Knowledge Management Department, Financial Operations Department, Corporate Services Department, Environment and Climate Division, Resource Mobilization and Partnership Office, Statistics and Studies for Development Division, and the Ethics Office. This was mostly intended to contribute to institutional effectiveness. It is too early to conclude whether these new departments will also impact positively on efficiency.
98. IFAD's top leadership is championing efficiency improvements, which is important to ensure the required momentum. However, staff do not always understand or appreciate the institutional rationale for efficiency gains and there is understandable resistance to adjustments in staff benefits and entitlements.
99. With a view to strengthen the reform agenda, the IEE recommended the appointment of a managing director. IFAD Management did not agree with this recommendation of the IEE and expressed the view that "...the intended results would be better achieved by strengthened senior management oversight and direction". A majority of interviewed senior managers indicated that the VP's role, which was clarified and strengthened with the last appointment, had not functioned in practice as intended. Reconsideration of the VP's role may now be necessary in light of the growth of the organization, including four departments headed by individuals at the assistant secretary-general rank, and five divisions (within the Corporate Services Support Group) and the Ethics Office. The vacancy of the VP position presents an opportunity to reconsider this function with an eye to enhancing the efficiency of executive decision-making.
100. The Executive Management Committee (EMC) and Operations Management Committee (OMC) were established in 2009 to enhance the accountability of managers, departmental and divisional coordination, and transparency and efficiency in decision-making. Transparency has improved considerably, but coordination across units to achieve corporate objectives is still weak. The committees evolved toward significant

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

101. IFAD has long been characterized by cumbersome decision-making, with an unusually high share of routine decisions well within the responsibility of line managers delegated upwards (sometimes to various committees), diluting their authority and accountability. This limits institutional efficiency. Currently, many staff members are in quasi-managerial roles, without clear accountability. CPMs appear to enjoy near total autonomy in some respects, but their accountability is not clearly defined, a finding that the IEE had also underlined. This is partly attributable to limited supervision, mentoring and quality control by regional division directors, as already mentioned earlier.
102. Weak managerial accountability stems in part from the lack of a clear accountability framework and performance expectations. Substantive delegation of authority is limited and focused on compliance. The revision of the IFAD Manual and Framework for Delegation of Authority, completed in December 2011, introduced new delegation of authority, and further work is planned to flesh out roles and responsibilities.
103. The roles and responsibilities of the Office of the General Counsel (LEG) have been strengthened since 2008/09 and its support to operations is, on the whole, satisfactory. Feedback within IFAD noted that LEG is required to clear numerous internal and external documents, and it would be useful to clarify the occasions when legal opinion and clearances are actually needed to take a process forward. The ongoing internal audit by IFAD on the efficiency of legal processes is likely to provide further insights that could help streamline legal processes in IFAD.
104. **IFAD Governing Bodies.** As a specialized agency of the United Nations and an IFI, IFAD has a complex governance structure, with a GC, and an EB with standing subsidiary bodies, namely the Evaluation and Audit Committees. Triennial replenishment consultations are held, at which Member States agree on new policy
- directions and decide whether and how much to contribute. The Fund’s Member States are divided into three Lists: A – Organisation for Economic Co-operation and Development countries (OECD); B – Organization of the Petroleum Exporting Countries (OPEC) countries; and C – developing countries. The governance structure works by giving voice and allowing representation of distinct constituencies. However, there are opportunities for improvements in the functioning of the Governing Bodies. Improvements in effectiveness – more so than the efficiency with which they function – have significant implications for the institutional efficiency of the organization as a whole.
105. The GC is the supreme governing body, which meets once a year in Rome, with the participation of governors from all IFAD Member States. This is similar to the practice in other IFIs. The GC has important statutory roles to discharge, including approval of the organization’s annual administrative budget, election of the IFAD President (every four years), and adoption of the replenishment resolutions. The GC provides Member States with the opportunity to interact, meet with IFAD staff and Management, and gain a close insight into the organization and its work.
106. At the same time, the GC has not been the platform at which major debates have taken place; an exception is the election of the President. The discussions leading to the approval of the annual budget or the replenishment resolution have been fully prepared in the EB and the Replenishment Consultations respectively.
107. The format of the GC has evolved over the years, with more attention and space to the organization of panel discussions and side events on key topics related to global agriculture and rural development. This has been appreciated by many Member States, but has reduced time for governance issues and related business items.
108. The GC was held at IFAD headquarters for the first time in the organization’s history in 2010. This facilitated logistics and administration, and helped to contain direct costs. However, the evaluation raises the question whether it is essential to hold the GC on an annual basis. Holding the GC less frequently (e.g. every two years) would save further resources and would only require Governors to delegate authority to the Board of some recurrent functions (e.g. approval of the Fund’s annual administrative budget).

109. The replenishment consultation meetings are held every third year.<sup>30</sup> Major decisions on future organizational, strategic and policy change are usually taken as the outcome of the triennial replenishment consultations. These are the occasions when Board representatives have an opportunity to focus the attention of their authorities on issues facing IFAD and to shape its policy agenda.
110. For the first time since the establishment of the organization, IFAD9 saw the preparation by Management of a midterm review of the commitments from the previous replenishment (IFAD8), which allowed Member States to discuss in real time the progress made by the Fund. As another innovation, the Consultation was facilitated by an independent external chairperson. This proved to enhance the efficiency of the overall process, as it also allowed the President (who chaired all previous sessions) to focus on articulating IFAD priorities for the replenishment period.
111. The EB is non-resident and meets three times a year, usually for a two-day session. The low frequency of Board meetings and its non-resident nature are well suited to IFAD's needs, as a resident Board as in other IFIs would add to administrative costs of the organization. However, because many IFAD Board members are Rome-based, and also represent their country in the governing bodies of FAO and the World Food Programme, they are not always able to devote sufficient time to review Board documents and engage fully in all Board deliberations. This is especially a concern for most List B and List C Member States. This impinges on the effectiveness of the Governing Bodies, as members might not find time to seek the required clarifications on specific issues ahead of Board meetings and raise issues directly in the Board that can be clarified outside the formal meetings.
112. Meetings are carefully structured and current chairmanship is strong. However, the evaluation finds that the Board agendas are overambitious, and there is relatively little space for discussion on results, policy and strategy, evaluation and lessons learned, as compared to the amount of discussion on process and input-oriented documents. The IEE came to a similar conclusion and recommended a shift in balance towards the former type of topics.
113. One way to free up space on the Board's agenda would be to delegate authority to the President to approve new loans and grants. A system could be put in place for the Board to discuss specifically innovative projects or other subjects of particular interest, but this would be an exception rather than the rule. This is consistent with the recommendation of the IEE and it would lead to cost savings, including in the translation of documents.
114. On another issue, the evaluation notes the lack of a Code of Conduct for Board members – a normal integrity requirement in other IFIs. For example, there have been instances when IFAD Board members have applied for staff positions at IFAD. There is no reason why Board members should not be allowed to join as staff members through the regular competitive process, but as in other institutions, this should be allowed only following an established "cooling off" period after completion of their Board assignment.
115. The heterogeneity of the background of IFAD Board members – due to its hybrid nature as both a specialized agency of the United Nations and an IFI – enhances diversity of views and perspectives in the deliberations. At the same time, IFAD also lacks guidelines for the qualifications (e.g. in terms of experience and expertise) of Board representatives in contrast notably to other IFIs. Though sovereign Member States are entitled to nominate anyone they deem suitable as their Board representative, the introduction of broad guidelines to facilitate the selection by Member States of their Board representatives could contribute to the quality of the debate and efficiency.
116. There is one further structural issue that is worth reflecting upon to make the Board more efficient. Currently, only the Board representative or his/her designated representative is permitted to take part in Board meetings. There have been instances when the Chairs of the EC and/or AC have been based in their country's embassy in Rome, but are not the designated Board representative. This has caused challenges during Board meetings when the actual Board representative attends, as the Chairs of the Committee under the above circumstances would not be allowed into the Board session, unless the Board representative vacates his/her seat. This limits efficiency and effectiveness, and could be easily resolved if Committee chairs were allowed ex-officio access.

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

117. The AC and EC are functioning well, and their terms of reference were recently revised and approved by the Board. The Committees do not have decision-making authority, as they are advisory organs of the Board. Both committees play crucial roles in examining more thoroughly documents that are also presented to the Board. In addition, they review other important documents that are not placed before the Board. All EC documents are made public on the IFAD website, which is not the case for the AC. This might be worth considering to strengthen efficiency in communication, transparency and accountability.
118. The evaluation finds that, in line with the trend in the financial and business sectors in general, the AC should consider acquiring outside professional/technical expertise to support its oversight of IFAD's finances. The EC plays a critical role in reviewing results and lessons from independent evaluations, and advising the Board on actions to strengthen IFAD's development effectiveness and efficiency. The constructive interaction between IFAD Management and IOE provides the Committee with much of the input it needs to assess strategic issues. However, the reports of the two Committees to the Board do not always indicate clearly the recommendations they would like the Board to adopt and remaining controversial issues for the Board to consider. To do so systematically would allow the Board to focus on selected issues and enhance efficiency.
119. Given the Board's non-resident nature, IFAD has an informal mechanism for ensuring continuity of dialogue among Member States and IFAD Management between Board meetings, known as the "List Convenors and Friends". Important matters are raised and often resolved through this platform. However, it remains an informal platform. It may be worth considering establishing a practice of documenting decisions in the minutes of their meetings to provide transparency to the process as well as improve flow of communication and information, as is done by the other subsidiary bodies of the Board.
120. SEC plays a useful role and provides timely support in servicing IFAD Member States, and in organizing meetings of all Governing Bodies. However, despite the low frequency of Board meetings, SEC costs are high relative to comparators, partly driven by expenditures for translation of documents and interpretation into four official languages. In this regard, the Board has recently adopted a proposal to reduce the costs of operation of Governing Bodies, including the costs of SEC, in line with Management's core commitment under IFAD9 to reduce these costs.
121. There is one final issue that merits reflection. This concerns the classification of IFAD Member States into three Lists (A, B and C). This is a fundamental question, as the List system has far-reaching implications for governance, voice and representation, and therefore effectiveness and efficiency of the entire Governing Bodies architecture of IFAD. The List system (or Categories I, II and III as they were previously called) was appropriate when IFAD was established. However, it might be worth considering whether the List system is still relevant in today's global context, especially in light of the economic, developmental and geopolitical evolution of IFAD Member States over the years. The evaluation has not dwelled on this extensively, but it is a topic that has efficiency implications and will need to be addressed in the future.
122. **Indicators to assess project and institutional efficiency.** As noted earlier, IOE has adopted the OECD/DAC definition for efficiency, and the IOE Evaluation Manual contains a series of questions that each evaluation addresses to assess and rate project efficiency. Moreover, in light of the harmonization agreement signed by IOE and IFAD Management to align the independent and self-evaluation systems in IFAD, Management also adopts the same indicators to assess project efficiency. The definition and indicators adopted by IFAD for assessing project efficiency are consistent with the 2012 Good Practice Standards of the Evaluation Cooperation Group of the Multilateral Development Banks for Public Sector Evaluations.
123. However, there are opportunities to better apply the indicators in both independent and self-evaluations to gain an even more accurate understanding of performance at the project level. An important challenge for better assessing project efficiency is the limited availability of baseline data, as well as data on outcomes and impacts captured by project level M&E systems. This constrains evaluations in calculating economic rates of return at project completion. Therefore, the main constraint in assessing project efficiency is not the quality of indicators adopted by IFAD, but rather the application of methods and lack of readily available data for independent and self-evaluations to rely on.
124. Institutional efficiency was explicitly reflected in the Board's decision in 2005 to introduce an institutional efficiency ratio – the percentage of

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

125. Management made a number of commitments during the Consultation on the Ninth Replenishment of IFAD's Resources in 2011 to improve IFAD's institutional efficiency. Furthermore, new outcome and reach indicators and targets for operational and institutional efficiency have been included in the RMF 2013-2015<sup>31</sup> in order to support enhanced performance and to enable more comprehensive reporting on progress and achievements.
126. The efficiency evaluation raises three issues with regard to the efficiency and other indicators in the RMF for IFAD9, which was approved by the GC in February 2012. First, PCRs prepared by governments are rated by PMD across all evaluation criteria (including efficiency) covered therein. The PCRs are the main source of data used for reporting against the eleven outcome indicators (e.g. relevance, effectiveness, efficiency, etc.) in Level 2 (IFAD's contribution to development outcomes and impact) of the RMF. This could raise doubts about the robustness of reporting, given that the same entity responsible for project design and implementation support (i.e. PMD) is also responsible for rating the final performance of IFAD-supported projects. In other IFIs, it is normal practice for data from their independent evaluation units to be used for reporting against the RMF.
127. Second, policy dialogue, partnership building and KM are integral dimensions of IFAD's non-lending activities and should all be covered in the Level 4 indicators (operational effectiveness of country programmes and projects), which is not the case at present. Moreover, client surveys are the main source of information for assessing performance against these indicators, but they have limitations as response rates are variable and unpredictable, and the underlying processes and methods in the production of client feedback are not known. Assuring systematic reporting on COSOP implementation on an annual basis and the introduction of COSOP completion reviews, as per current guidelines, should be a priority to help overcome this gap.

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

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

## Conclusions and recommendations

129. **Conclusions.** IFAD is an organization with a focused mandate to promote rural poverty reduction. Its role, contributions and trademark participatory approaches are particularly appreciated by recipient governments, the rural poor and other partners at the country level. The Fund fills an important space in the galaxy of multilateral and bilateral development organizations, and has the potential to become a true centre of excellence for smallholder agricultural development.
130. Given its relatively small size as compared to other MDBs and its specialized mandate, it is difficult for the organization to benefit from lower output costs through economies of scale, and thereby enhance its output efficiency. However, this evaluation believes there are important opportunities for IFAD to further enhance both its programme and institutional efficiency by making additional improvements to its operations, delivery model and internal processes.
131. Scaling up successful IFAD-funded programmes through their adoption by partner institutions (including governments) is vital to IFAD making a meaningful contribution towards alleviating rural poverty, hunger and malnutrition across the globe and would improve IFAD's impact efficiency. But attracting partner resources for scaling up requires that IFAD produce successful, high-quality, and sustainable programmes, with demonstrated impact. IFAD-supported projects today are predominantly "moderately satisfactory"; IFAD must therefore raise the bar to deliver more projects that are "satisfactory" or "highly satisfactory" that include a special focus on innovation and creativity.
132. At the heart of achieving scaled-up impact is the need to develop an institution-wide culture of accountability for performance, well beyond the delivery of activities and outputs. IFAD has made

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

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

- (i) **Project quality: noteworthy improvements but project efficiency lags.** There have been improvements in project performance since the IEE, and data suggests that the performance of IFAD-funded projects is better than the agriculture sector operations of ADB and AfDB and broadly on par with the World Bank. However, project efficiency continues to remain amongst the weakest performing of all evaluation criteria. Complex project designs, especially in relation to country capacities, insufficient financial and economic analysis, and limited funding for design constrain project readiness and efficiency.
- (ii) **IFAD is appreciated for its flexibility and participatory approaches, but more focus is needed on the operational portfolio.** IFAD is recognized as being highly responsive to the needs of the rural poor and recipient governments, which is a distinguishing characteristic of the organization. But its operations are spread too thin, across a wide range of subsectors and themes covering a large number of results areas. This is exacerbated by inadequate customization of its support programmes across different countries. Limited focus and country differentiation in IFAD-supported programmes make it difficult for IFAD to build the critical mass of expertise and skills (see point (iv) below) needed to deliver high-quality client services in a cost-effective manner and are affecting both its project and institutional efficiency. The outposting of CPMs is essential, but has been slow, and

a consolidated vision for organizational decentralization in the broader sense has yet to be articulated.

- (iii) **Significant adjustments have been made to the operating model.** Over the years IFAD has made significant adjustments to its operating model, such as the introduction of DSIS, country presence, and an arms-length QA system. They are all critical to enhance effectiveness, but they (as well as other measures still required to enhance the quality of partnerships and the technical soundness, innovation and creativity of IFAD operations) come at a cost that needs to be offset by increased strategic, thematic, country and instrument selectivity.
- (iv) **Staffing is not yet sufficiently aligned to the changing business model.** IFAD's technical staff expertise within the Policy and Technical Advisory Division is too limited to allow participation in and support to key design and supervision missions. Staff skills are also short relative to requirements of the organization's new business model and evolving operational priorities, especially in key areas, such as agronomy, private-sector engagement, and policy dialogue for scaling up.
- (v) **Corporate business processes need to adapt to decentralization.** There is a close link between IFAD's institutional efficiency and project efficiency. The Change and Reform Agenda introduced in 2009 aims to make IFAD a more agile, efficient and effective organization. However, heavy corporate business processes characterized by stringent ex ante controls, such as for loan disbursements and HR management (including consultants' management), and an insufficient information and communication system are factors affecting IFAD's total efficiency. The adjustments needed to corporate business processes and IFAD's operating model to adapt to a decentralized organizational architecture have not received sufficient attention.
- (vi) **Managers and staff need a consistent and manageable framework for accountability for results.** Attention is being devoted to developing a platform for managing for development results and improved budget management and reporting. A framework for results-based management and a self-evaluation system is being put in place. However, the results framework is complex and different layers in the framework are not adequately aligned to facilitate aggregation and reporting. Progress against key indicators is assessed and reported

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

- (vii) **Budget management and processes have been tightened in recent years, though there is room for further enhancement.** Budget preparation, execution, monitoring and reporting are being strengthened and made more transparent. However, the budget function is not adequately staffed to enable it to play a wider role in strategic planning, priority setting and internal resource allocation. Managers at the divisional and departmental levels are not sufficiently held accountable for results and budget management, partly due to unsystematic access to timely and comprehensive data and information for mid-course corrective actions, but most importantly, due to the missing components of a consistent accountability framework for managers and staff.
- (viii) **IFAD needs to work with implementing governments to address areas of weak government performance.** Government capacities and overall performance in the agriculture and rural sectors are one of the single most determining factors that impinge on the efficiency of IFAD-supported activities. Government performance under IFAD-funded projects has not shown improvements for around a decade, and major challenges remain, especially at the lower administrative levels. IFAD has not addressed this problem head on. Some areas where IFAD could support governments are: strengthening capacity for project design and PCR preparation; and M&E.
- (ix) **Management of staff needs to be better aligned to IFAD's current needs.** Over recent years there has been a marked increase in attention given to HR reform. Good progress is being made in a number of areas. However, it faces several challenges in the area of people management: (i) overreliance on consultants for technical skills needed to operate the new business model, and the concomitant lack of comparable in-house technical skills in programmes and projects; (ii) limited attention to leveraging the expanding number of staff in the field and substituting field-based staff for Rome-based staff; (iii) high staff costs due to skewed grade mix and high proportion of GS staff; (iv) inadequate attention to the skills required for CPMs to fulfil their changed role; and (v) a risk-averse approach

to performance management. A critical challenge is the need for an accountability framework with clear, substantive delegation of authority.

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

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

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

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

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

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

138. **Recommendation 2: Articulate and implement a clear vision for country presence and how IFAD would operate in a decentralized environment.** A vision for the future management of IFAD should be developed that recognizes that the outposting of CPMs will lead to increased decision-making in the concerned countries. The vision should address the relationships between headquarters and country offices, the accountability of CPMs, country programme officers (CPOs) and regional directors for

operations, and the challenge of the flow of knowledge across country and regional divisions in a decentralized environment. It should also include an integrated review of the processes for ensuring quality, starting with the composition of teams for project preparation, and DSIS. IFAD should also make a realistic projection of the cost of IFAD country offices and pursue opportunities for making countervailing savings at headquarters.

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

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

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

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

142. **Recommendation 6: Focus oversight by Governing Bodies on key strategic issues.**

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

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

variances for learning; and (vi) use IOE data where available as the basis for ex post analysis and reporting. More details of the recommended changes to the RMF may be found in box 1 of the main report.

### Concluding thoughts

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