



Supervision and implementation support

Policy

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Introduction

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Improving the quality of project implementation and achieving better results on the ground are priorities for IFAD, achieved largely through effective supervision and well-directed implementation support. In recognition of this, IFAD has made a series of efforts to examine, clarify and enhance the role of supervision and implementation support in its operations. These efforts acquired a new urgency in the context of the drive to achieve the Millennium Development Goals and the consequent changes in the international development architecture. The Paris Declaration on Aid Effectiveness emphasizes systematic support for nationally owned strategies for attaining development results, the increased use of national administration systems, and more jointly coordinated and predictable actions among aid donors. As a signatory of the Paris Declaration, IFAD is responding to the challenges of harmonization and alignment by positioning itself fully within this new development context and seeking to provide optimal support to member countries in order to reduce rural poverty. Addressing the issues of project implementation through improved supervision and implementation support is part of that response.

Under its Action Plan for Improving its Development Effectiveness, IFAD aims to achieve a stronger, more sustainable impact on rural poverty through: (a) strategic planning and guidance; (b) a new operating model to strengthen country programmes; and (c) knowledge management and innovation. The new operating model is IFAD's emerging/improved mode of operation and is intended to result in more effective targeting of poor people and rural communities, enhanced quality and impact on the ground, stronger relevance, higher efficiency, and

greater sustainability of IFAD-supported projects and programmes. It focuses on five areas – innovation, policy dialogue, partnership development, enhanced impact and knowledge management – set within the new development architecture of harmonization and alignment, and building on and strengthening in-country policies, institutions, systems and processes. It involves a new results-based country programme approach, more active country-level engagement, a greater emphasis on strategic partnerships, and a more effective framework for results management.

Within this context, the Policy on Supervision and Implementation Support articulates an approach for strengthening the relevance, focus, quality and efficiency of country programmes financed by IFAD, contributing to the realization of the objectives of the Action Plan. Supervision and implementation support are the principal operational instruments for effective engagement in rural poverty reduction. Hence they should not be seen as separate activities or functions, but as integrated instruments, directed at the country level, that support other elements of the new operating model.

Definition of supervision and implementation support

For IFAD, supervision and implementation support are two mutually supportive and operationally linked functions, defined as:

- a) Supervision is the “administration of loans, for the purposes of the disbursement of the proceeds of the loan and the supervision of the implementation of the project or programme concerned”.¹ It ensures compliance with loan covenants, procurement, disbursement and the end-use of funds, and is an effective tool for promoting economy, efficiency and good governance; and
- b) Implementation support focuses on development impact based on assessment of progress against agreed indicators embedded in an effective monitoring and evaluation (M&E) system, joint identification of problems with recipients and implementers, and agreement on suitable actions (with recipients) to achieve the project’s development objectives. Where needed, this is supported by project-specific technical support, policy dialogue, innovations and programme and/or design adjustments to improve effectiveness. Implementation support pays special attention to social and environmental dimensions, including improved targeting and mainstreaming of gender issues with a focus on poor women.²

The premise of these definitions is the recognition that implementation, per se, is the responsibility of recipients. Supervision and implementation support, on the other hand, should contribute to the achievement of project goals that reflect: (a) national priorities; and (b) IFAD’s mandate and strategic objectives, aimed at ensuring that rural poor people have higher incomes and improved food security through better access to key economic and productive assets,

services, markets and policy processes, and the efficient use of resources and timely resolution of problems. Supervision and implementation support, although defined separately, are intrinsically related and complement one another.

Supervision and implementation support are particularly effective in addressing specific constraints impeding implementation, e.g. weak capacity of national institutions/implementing agencies, project-specific technical issues, and lack of information. In addition, they facilitate knowledge-sharing and evidence-based policy dialogue to produce a conducive environment for rural poverty reduction strategies. The strategic shift of emphasis in time and resources from design to implementation necessitates the adoption of more effective and realistic integrated arrangements. This implies continuous use and strengthening of local capacities, design adjustments, learning and information/experience-sharing, quality assurance and enhancement, innovations, and the promotion of strategic, country-level partnerships and policy dialogue.

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¹ Article 7, section 2(g) of the Agreement Establishing IFAD.

² Guidance for reporting on targeting and gender according to the IFAD Policy on Targeting and the Gender Plan of Action will be provided in the guidelines on supervision and implementation support to be developed under this policy.

Evolution of supervision in IFAD's operations

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Prior to February 2006, the Agreement Establishing IFAD stated that the Fund should delegate the role of supervision to international cooperating institutions. As a result, IFAD did not directly manage or conduct supervision of its projects, as this was entrusted to cooperating institutions that conducted supervision independently on behalf of IFAD. In response to a recommendation of the Joint Review of Supervision Issues in IFAD Financed Projects, carried out in collaboration with four major cooperating institutions in 1996, the Governing Council authorized a departure from this rule in 1997, allowing up to 15 projects to be directly supervised by the Fund under the Direct Supervision Pilot Programme.³

An amendment to article 7, section 2(g) of the Agreement Establishing IFAD was adopted by the Governing Council at its twenty-ninth session in 2006 to allow IFAD to appoint national, regional or other institutions or entities to undertake supervision, in addition to international cooperating institutions. The Governing Council in the same resolution also amended paragraph 43 of the Lending Policies and Criteria to allow IFAD to, with the authorization of the Executive Board, occasionally supervise project implementation directly.⁴

These amendments were, in no small measure, also due to the findings of a number of recent evaluation exercises, which pointed out shortcomings and limitations in IFAD's supervision and implementation support modalities. The most important of these exercises were (a) the Independent External Evaluation of IFAD carried out in 2004/05; (b) the Office of Evaluation (OE)-led evaluation of supervision modalities in IFAD-supported projects in 2002/03; and (c) the corporate-level evaluation of the Direct Supervision Pilot Programme carried out in 2005.

Main evaluation findings indicated that, compared with supervision by cooperating institutions, direct supervision has greater potential to contribute to better development effectiveness at the project level. At the same time, it allows for more attention to IFAD's broader objectives at the country programme level, such as policy dialogue and partnership building. In addition, IFAD's experience with direct supervision has contributed to developing IFAD's knowledge base and allowed IFAD to strengthen country-level coordination. The average cost of direct supervision is higher than that of supervision by cooperating institutions. However, the evaluation argues that costs should not be seen in isolation from the benefits demonstrated by the Direct Supervision Pilot Programme. Potential also exists for efficiency gains under the direct supervision modality.

3 Governing Council Resolution 102/XX on Loan Administration and Supervision of Project Implementation adopted on 21 February 1997. This initiative was approved with an implementation period of five years from the date of effectiveness of last such project approved (June 2001).

4 At its twenty-ninth session in February 2006, the Governing Council further decided that: (i) the 15 directly supervised and administered projects financed by IFAD in accordance with Resolution 102/XX should continue to be directly supervised and administered until such time as the IFAD loan for the project shall be closed.

The evaluations and analyses have pointed out the shortcomings in the current cooperating institution-based supervision modality, of which the most important are:

- standardized arrangements for all programmes and countries, which inadequately reflect the full range of supervision requirements and do not respond sufficiently to country contexts and to the strategic imperatives and focus of IFAD;
- lack of clarity in the division of roles and responsibilities among IFAD, cooperating institutions, project units and government agencies, especially in the context of the new architecture for development assistance;
- inadequate systems to generate and capture knowledge systematically; and
- reliance (dependency) on a few cooperating institutions (78 per cent of operations are supervised by two cooperating institutions).

In terms of direct supervision, analyses have pointed to shortcomings, such as:

- heavy workload of country programme managers and lack of IFAD capacity, procedures and human resources to execute disbursement, loan administration and procurement reviews;
- inadequate attention to capacity and skills development, training and orientation relating to project supervision issues; and
- lack of institutional quality assurance mechanisms and effective management oversight for projects and programmes supervised by cooperating institutions as well as those directly supervised by IFAD.

Each of the evaluation efforts generated a set of recommendations to IFAD regarding supervision and implementation support. Two of the five key recommendations of the agreement at completion point of the corporate-level evaluation of the Direct Supervision Pilot Programme⁵ are captured by the policy. These are the need for IFAD to: (a) develop a comprehensive supervision and implementation support policy, which takes into consideration recent initiatives that are broadly related to supervision and implementation support and that builds on the elements contained in IFAD's new operating model; and (b) establish a clear definition of the concept of supervision and implementation support to be utilized within the framework of the new supervision and implementation support policy. The remaining recommendations will be addressed by the guidelines on supervision and implementation support or under the new operating model.

The agreement at completion point also recommended that the policy be supported by guidelines that will specify and further develop the operational, human resource and managerial requirements and procedures to be followed in order to improve IFAD's potential to contribute more effectively to the impact of activities at the country level.

5 Direct Supervision Pilot Programme: Agreement at Completion Point presented at the eighty-fifth session of the Executive Board in September 2005. In arriving at a more effective modality for managing supervision functions, the policy document draws on IFAD's internal report on supervision arrangements, which reviewed reports and experiences, and developed different supervision options to address important elements of project performance in the context of both the different types of projects financed by IFAD and the Fund's emerging new operating model for greater development effectiveness.

Guiding principles

4

The policy is driven by a set of main guiding principles:

- recognition of loan and grant recipients, who are owners and implementers of development programmes, as key partners with shared accountability for outcomes;
- adherence to improved management systems, quality standards and accurate reporting, guided by good practices and policies to improve management effectiveness, and monitoring and evaluation;
- supervision and implementation support activities set within the context of results-based country programmes, seeking to maximize synergies, opportunities and learning, and to make efficient use of resources;
- encouragement of innovation during project implementation; and
- ongoing learning and sharing of knowledge with all stakeholders, and building of partnerships with the private sector, civil society and other development partners, for enhanced coverage and reach of supervision and implementation support, and, where appropriate, improved practices for greater development impact.

In line with evaluation findings and with the operational experiences of the Direct Supervision Pilot Programme, this policy confirms that IFAD needs to have a wider selection of supervising partners; to take timely corrective action in the case of shortcomings of supervising partners (both cooperating institutions and contracted service providers under the IFAD supervision modality); to conduct its own supervision; and to be more responsive and proactive on supervision findings through implementation support.

IFAD's approach to supervision and implementation support

Supervision and implementation support of IFAD's projects/programmes will be anchored in and responsive to concrete country and programme realities. There are two main supervision modalities – IFAD supervision and cooperating institution supervision – with the former subdivided into various approaches to respond to the characteristics and requirements of each country and project. Implementation support, on the other hand, is a separate yet complementary function that focuses on the development impact and rectification of operational problems. The modalities and their respective approaches and organizational set-ups are described below.

“Responsive supervision” provides for two main modalities: (a) IFAD supervision, comprising different “blends” of headquarters staff and contracted service providers, including reputable international/regional/national institutions and local partners; and (b) supervision by cooperating institutions, still required and suitable in some cases, but with better specified roles for IFAD and the cooperating institutions concerned. For IFAD supervision and implementation support, the use of local/regional/national institutions and building of their capacities will be promoted, as will the use of field presence, outposted country programme managers, country management teams and national organizations to improve impact and achieve cost savings.

Supervision modalities

Supervision by IFAD. Supervision of loans and grants is entrusted to IFAD, including administration of loans and supervision of implementation. IFAD may contract competent service providers to carry out discrete tasks. Depending on national implementation capacity, the size of the country programme and funding arrangements, different approaches will be applied, and may include:

- a) **IFAD supervision – headquarters-led, with moderate reliance on local, national or regional systems/institutions** for projects in countries with moderate to low national implementation capacity and a substantial to medium-sized IFAD country programme, for innovative projects with high learning potential, and for projects in complex and/or difficult country situations;
- b) **Supervision by IFAD, mainly with national/regional institutions**, for projects in countries with high to medium national implementation capacity, a medium- to small-sized IFAD country programme and/or sector-wide approach (SWAp)/basket funding arrangements;
- c) **IFAD Supervision - country programme** (comprising all loans/grants supervised by IFAD in a given country) with substantial use of national and regional institutions, and reliance on joint government-donor reviews for projects in countries with high national implementation capacity, a substantial to medium-sized IFAD country programme, and a potential for broad-based partnerships.



Supervision by cooperating institutions. Cooperating institutions are entrusted with the administration of loans and the supervision of implementation. IFAD participation under such an arrangement may include endorsement of terms of reference and mission composition, specification of reporting requirements, and participation in supervision missions. The approach may be applied to projects in countries with moderate to low national implementation capacity, and a medium- to small-sized IFAD country programme, as well as to projects initiated by another international financing institution, for which IFAD provides cofinancing. Letters of appointment will be negotiated on a case-by-case basis, and renegotiated as required.

Implementation support

Regardless of the modality selected, IFAD will always be responsible for providing implementation support related to IFAD financing. IFAD will provide implementation support as required, possibly making use of local, national or other organizations.

Criteria for selection of supervision modality⁶

IFAD will follow a policy of flexible selection of the most appropriate supervision approach responding to country context, IFAD positioning and evolving institutional capacity. Selection starts with a general country analysis during the results-based country strategic opportunities programme (COSOP) process, further refined and tailored to fit the specific country programme and project requirements during the design phase. During the project implementation period, the selected supervision approach may be altered to respond appropriately to changes in the country, in the global development architecture and within IFAD, subject to agreement between the government concerned and IFAD.⁷

Decisions regarding the modality and approach may use the following criteria:

(a) national capacity; (b) nature, size and complexity of the country programme; (c) learning and knowledge-sharing potential; and (d) availability of appropriate and sufficient human resources within IFAD.

Annex I summarizes indicative criteria for application, implementation modalities, resource implications and the benefits/risks of the four approaches outlined above, to be detailed in the guidelines on supervision and implementation support. Field presence and outposted country programme managers, where present, will form an important element in improving the quality of supervision. Mechanisms for quality enhancement need to be embedded in the operations of regional divisions to ensure timely procedures to improve supervision and implementation quality.

6

⁶ See annex I for details.

⁷ Changes of supervision modality from a cooperating institution to IFAD will be approved by the Executive Board.

Operational implications of the policy⁸

7

Currently the supervision of about 95 per cent of IFAD's loan portfolio is undertaken by cooperating institutions and is based on cooperation agreements with IFAD and standard letters of appointment. It is envisaged that reliance on cooperating institutions will gradually be reduced. The exception will be the projects initiated by cooperating institutions where IFAD is a cofinancier and the lead financier agrees to assume supervision responsibilities.

After adoption of this policy, the first three years will focus on capacity-building of IFAD staff and enhancing the quality of supervision undertaken by IFAD and cooperating institutions, and implementation support. Activities undertaken in this phase may include: staff training in procurement and programming; strengthening of loan and grant administration capacity; revision of letter(s) of appointment to better reflect IFAD's role in supervision; and the introduction of quality assurance mechanisms. Country programme managers will be more closely involved in developing the supervision and implementation support strategy of individual operations (including those where supervision is entrusted to cooperating institutions) and leading, or participating in, field missions.

A thorough assessment of performance and lessons learned, as well as the identification of best practices and areas requiring further strengthening, will be undertaken at the end of this period. Based on this assessment, a detailed implementation plan for the next three years will be developed. In addition, any necessary amendments to this policy, the Agreement Establishing IFAD, and/or the Fund's Lending Policies and Criteria will be identified. Progressive use of national institutions/systems will be phased in. However, the decision to make wider use of

national systems (relating to any aspect of supervision functions, including financial management, procurement and social and environmental issues) will be based on a first-hand assessment of capacities on a case-by-case basis. This will be pursued as part of a country-level dialogue, starting during the COSOP period and refined during the programme process. By the end of the tenth year after adoption of the policy, it is expected that most loans and grants will be supervised by IFAD.

For the Policy on Supervision and Implementation Support to be successful, IFAD will need to strengthen capacities and processes within its departments/divisions at all levels. A particular emphasis will be required, however, on the Programme Management Department, where the implementation and operation of new supervision approaches – to absorb, and improve on, the operational functions traditionally performed by cooperating institutions – will place considerable additional demand on the time of staff in regional divisions.

Resource implications

Human. The main thrust of this policy is to ensure that the two functions – supervision and implementation support – work well in tandem. Consequently, IFAD's greater participation in and direct responsibility for supervision, where approved, and implementation support will result in an increased workload and have implications for human resources requirements in terms of both the number of staff and their competencies. A particularly crucial investment by IFAD will be the development of appropriate competencies and skills for both newly recruited and current staff, including field presence staff. A tentative estimate of the cost of capacity-building directly related to

⁸ See annexes II and III.

supervision and implementation support over the first ten years is about US\$2.9 million, consisting of US\$1.7 million for incremental staff largely covered from funds currently paid to cooperating institutions or through staff redeployed within IFAD, and US\$1.2 million for training, which represents an additional cost. Part of the incremental human resource needs, especially the technical support requirements, will be met by contracting international, regional and national institutions and consultants; the rest will be met by recruiting or reassigning staff. Failure to strengthen IFAD's human resources would be a serious impediment to the successful implementation of the policy.

Financial. The total annual costs of the current supervision and implementation support amount to about US\$19.8 million, of which the fees paid to cooperating institutions constitute about 50 per cent, and imputed costs of IFAD staff time and the cost of consultants, (including travel, etc.), about 25 per cent each. The main effect on the IFAD cost structure of implementing the policy will be an increase in staff and the cost of contracting partners and consultants, compensated for by a reduction in the fees paid to cooperating institutions due to decreasing reliance on their services.

Assuming a mix of the different approaches, where about half of the portfolio would be under one of the two less resource-demanding approaches by the tenth year, the estimated costs of supervision and implementation support would be about 4 per cent higher than current costs. If, however, the development of national capacities for supervision progresses at a slower-than-anticipated pace and IFAD has to rely largely on the two most resource-demanding approaches, the estimated costs of supervision would be about 12 per cent higher than current costs. It may thus be assumed that the full implementation of the policy would entail an increase in annual costs in the range of 4 to 12 per cent (US\$800,000 to US\$2.4 million) to be managed within the IFAD budget.

Benefits

While costs of IFAD supervision and implementation support may be somewhat higher, these should be assessed together with the corresponding benefits. The evaluations illustrate that direct supervision has contributed to better development effectiveness and has allowed IFAD to further its objectives of innovation, policy dialogue, partnership development, improved impact and knowledge management. The policy allows IFAD to respond adequately to country context and country programme requirements by selecting the optimal mix required for supervision, offering a number of significant advantages over the current cooperating institution-based arrangements. These comprise clear management responsibilities with better integration of supervision and implementation support functions within country programmes, harmonized with partners and aligned with country/government strategies. Such arrangements would be more responsive to country-specific needs for improved performance.

IFAD's Executive Board has identified the need for IFAD-supported operations to be better managed in order to better attain results and sustainability. IFAD supervision of projects could be a major tool for achieving this. It would enhance the quality of country programmes, including their impact on the rural poor, dialogue with key stakeholders, and learning and sharing of knowledge, both within IFAD and in the country. In addition, the appropriate involvement of national institutions in supervision would also provide a deeper understanding of national systems/capacities and opportunities for innovative approaches based on local experiences, as well as the implementation of actions needed to strengthen country systems. The diversification of supervision arrangements would provide IFAD with more direct control over the costs of supervision, while improved implementation support will enhance focus on impact.

Recommendation

8

It is recommended that the Executive Board approve the IFAD Policy on Supervision and Implementation Support as outlined above. In particular, the Board is requested to note that the policy:

- formally adopts the definitions of supervision and implementation support, as listed on page 5, establishing the intrinsic relation and complementarity of the two functions;
- confirms IFAD's central role in managing supervision and recognizes that IFAD is fully responsible for the implementation support process;
- provides for two supervision modalities – supervision by IFAD and supervision entrusted to a cooperating institution – and a range of approaches that effectively respond to concrete country and programme realities as described in chapter 5;
- applies improved corporate quality standards to supervision and implementation support; and
- requires that guidelines be developed to define procedures and quality standards.

ANNEX I

Indicative criteria for application of supervision approaches under IFAD-responsive supervision

Criteria for application	Supervision approach	Implementation modalities
<p>Applied to:</p> <ul style="list-style-type: none"> Projects in countries with moderate to low national implementation capacity and medium- to small-sized IFAD country programme (one or two projects) Projects initiated by a cooperating institution with IFAD cofinancing <p>(About 25 per cent of the current IFAD portfolio)</p> <p>IFAD resource: country programme manager/country teams with limited to standard experience/competencies</p>	Supervision by cooperating institutions	<ul style="list-style-type: none"> Contracting of a cooperating institution in traditional project approach, with implementation support by IFAD Moderately intensive mission frequency Limited to moderate use of local/national/regional institutions/service providers Loan administered by a cooperating institution
<p>Applied to:</p> <ul style="list-style-type: none"> Projects in countries with moderate to low national implementation capacity and substantial to medium-sized IFAD country programme (two or more projects) Innovative projects with high knowledge and learning opportunities Complex/difficult country situations <p>(About 25 per cent of the current IFAD portfolio)</p> <p>IFAD resource: country programme manager/country teams with standard experience/competencies</p>	Supervision by IFAD	<ul style="list-style-type: none"> Intensive IFAD mission frequency Moderate use of local/national/regional institutions/service providers Focus on national capacity-building Loan administered by IFAD

Resource implications	Benefits/risks
<p>Estimated cost per project/year: US\$102,000</p>	<ul style="list-style-type: none"> • Ensures effective supervision and implementation support • Reduces demand on IFAD in-house capacity • Has limited potential for policy dialogue/learning • Has high unit costs <p>Main policy risk for all alternatives: Strategic decision by IFAD management to allot adequate human and financial resources to initiate adoption of responsive supervision</p>

<p>Estimated cost per project/year: US\$100,000</p> <ul style="list-style-type: none"> • One country programme manager for every six projects • Two missions per project per year during the first three years of implementation and one mission per year in the remaining years of implementation • Consultant input: 15 person days per mission 	<ul style="list-style-type: none"> • Ensures effective implementation support • Effective closing of the learning loop • Failure to develop national capacity • High unit costs
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Criteria for application	Supervision approach	Implementation modalities
<p>Applied in countries with:</p> <ul style="list-style-type: none"> • High to medium national implementation capacity • Small- to medium-sized IFAD country programme (one or two projects), and/or SWAp/basket funding <p>(About 15 per cent of the current IFAD portfolio)</p> <p>IFAD resource: country programme manager/country teams with substantial experience/competencies</p>	<p>Supervision by IFAD, mainly with national/regional institutions</p>	<ul style="list-style-type: none"> • Low IFAD mission frequency • Substantial use of local/national/regional institutions/service providers • Substantial reliance on national systems • Loan administered by IFAD
<p>Applied in countries with:</p> <ul style="list-style-type: none"> • High national implementation capacity • Substantial to medium-sized IFAD country programme (two or more projects) • Potential for broad-based partnerships <p>(About 35 per cent of the current IFAD portfolio)</p> <p>IFAD resource: country programme manager/country teams with substantial experience/competencies</p>	<p>Supervision by IFAD, country programme</p>	<ul style="list-style-type: none"> • Low IFAD mission frequency due to substantial use of local/national/regional institutions/service providers • Substantial reliance on joint donor reviews and/or national systems • Loan administered by IFAD

Resource implications	Benefits/risks
<p>Estimated cost per country/year: US\$85,000</p> <ul style="list-style-type: none"> • One country programme manager for every six countries • One mission per country/year • Local service contracts: 100 person days/country/year 	<ul style="list-style-type: none"> • National ownership • National capacity-building • Low unit cost • Fiduciary risks • Uncertainty regarding focus on IFAD priorities

<p>Estimated cost per country programme/year: US\$254,000</p> <ul style="list-style-type: none"> • One country programme manager half-time for every country programme • Three missions/country/year • Local service contracts: 200 person days/country year • Loan administration of three projects/country (average) 	<ul style="list-style-type: none"> • National ownership • National capacity-building • Policy dialogue/harmonization • Low unit cost • Fiduciary risks • Uncertainty regarding focus on IFAD priorities
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ANNEX II

Implementation of the IFAD Policy on Supervision and Implementation Support

The IFAD Policy on Supervision and Implementation Support assumes that supervision and implementation support functions will be carried out either by using cooperating institutions or by using both in-house staff and reputable national, regional and international institutions. The four broad supervision approaches would be applied in the “mix” most suitable to the overall portfolio and to the individual countries and country programmes concerned. The approach taken in any given country would to a large extent be based on an assessment of the national implementation capacity and the size of the country programme. A tentative classification of the countries in the current portfolio on these two dimensions is shown in the matrix below, as approximated by country performance score in the 2005 performance-based allocation (PBA) and the number of approved/ongoing projects.

Countries in current portfolio by implementation capacity and size of country programme

		Implementation capacity		
		High	Medium	Low
Size of country programme	Substantial (three or more projects)	1 17	2 12	3 14
	Medium (two projects)	4 9	5 13	6 3
	Small (one project)	7 15	8 5	9 11

High: PBA country performance score higher than regional average + 0.5.

Medium: PBA country performance score at regional average +/- 0.5.

Low: PBA country performance score lower than regional average - 0.5.

The individual decision about which supervision approach to apply would be based on a first-hand assessment of capacities and the country situation on a case-by-case basis. The two modalities for supervision are the following:

- a) **Supervision by cooperating institutions.** Loans/grants supervision is entrusted to a CI. This modality would be applied to projects in countries with moderate to low national implementation capacity, and medium- to small-sized IFAD country programmes, and to projects initiated by another international financing institution, for which IFAD provides cofinancing, who will act as the cooperating institution (cells 5, 6, 8 and 9 of the matrix).
- b) **Supervision by IFAD.** Loan/grant supervision is carried out by IFAD. This modality consists of three possible diverse approaches:
 - (i) Headquarters-led with moderate reliance on local, national or regional systems/institutions for projects in countries with moderate to low national implementation capacity and a substantial to medium-sized IFAD country programme, to innovative projects with high learning potential, and to projects in complex/difficult country situations (cells 2, 3, 5 and 6);
 - (ii) Main activities carried out using national and regional systems/institutions; for projects in countries with high to medium national implementation capacity, medium to small-sized IFAD country programme and/or SWAp/basket funding arrangements (cells 4, 5, 7 and 8);
 - (iii) Country programme supervision comprising all loan/grants supervised by IFAD in a given country with substantial use of national systems, contracting of national and regional institutions and reliance on joint government-donor reviews; for countries with high national implementation capacity, substantial to medium-sized IFAD country programme, and potential for broad-based partnerships (cells 1, 2 and 4).

Implementation support. Regardless of the modality selected, IFAD will always be responsible for providing implementation support related to IFAD financing. IFAD will provide implementation support as required, possibly making use of local/national organizations.

ANNEX III

Results framework

Narrative summary	Key performance indicators
<p>Goal</p> <p>New supervision and implementation support policy mainstreamed in IFAD's operating model</p>	<p>Impact and quality of projects and country programmes improved as a result of better supervision and implementation support</p> <ul style="list-style-type: none">• Policy adopted by IFAD (December 2006)• Operational guidelines for supervision and implementation support finalized and mainstreamed in regional divisions (May 2007)• Results-based COSOP includes assessment of supervision performance and proposed strategy for country programme supervision (May 2007)• Description of supervision modalities included in project design document as a mandatory requirement (May 2007)
<p>Capacity of IFAD to ensure proper supervision and implementation support is improved</p>	<ul style="list-style-type: none">• Policy for supervision and implementation support and operational guidelines disseminated to staff, partners, cooperating institutions and consultants (June 2007)• Enhanced agreements with cooperating institutions designed and approved (June 2007)• Framework for selection and evaluation of performance of national/regional partners designed and approved (June 2007)• Needs-based capacity-building training modules on supervision and implementation support for IFAD staff, country partners, cooperating institutions and national/regional partners developed and executed (from June 2007)
<p>Efficiency and effectiveness of supervision and implementation support monitored through strengthened quality enhancement and quality assurance systems</p>	<ul style="list-style-type: none">• Quality of supervision and implementation support reported in annual country programme review (April 2007)• Under the Action Plan, quality assurance system established with indicators for supervision and implementation support to undertake at regular intervals independent assessment of quality of supervision (December 2007)• Relevance of projects maintained at a minimum level of 60 per cent with high, and 40 per cent with substantial ratings• Raising project effectiveness from baseline rating of 66 per cent (Independent External Evaluation) to 75 per cent by December 2008 and to 80 per cent by 2009• Raising the high and substantial level of project efficiency from 45 per cent to a minimum of 60 per cent by 2009



Enabling poor rural people
to overcome poverty

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