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## The 2011 learning theme: direct supervision and implementation support

**Background.** In December 2010, the Executive Board decided that this ARRI would focus on direct supervision and implementation support as the main learning theme. As mentioned in last year's report, the decision in 2006 to move to direct supervision and implementation support was one of the most far-reaching reforms since the Fund was established, leading to major changes in its operating model. A CLE on direct supervision and implementation support is planned for 2012. This ARRI therefore provides an advance opportunity to reflect on the opportunities and challenges related to direct supervision and implementation support, and to identify some key questions and hypothesis that the planned evaluation will address.

Improving the quality of project implementation and achieving better results on the ground have increasingly been priorities for IFAD.

In 1997, the Board agreed that IFAD should implement the Direct Supervision Pilot Programme (DSPP), covering 15 IFAD-financed projects in all regions. In 2004 and 2005, IOE conducted two CLEs, respectively, of supervision modalities in general and of the DSPP. The evaluation of the DSPP recommended that IFAD discontinue working through cooperating institutions for project supervision, and take on direct supervision and implementation support itself as a critical component of its enhanced operating model. This recommendation was based on the main DSPP evaluation finding that projects benefiting from direct IFAD supervision and implementation support had better overall performance, as compared with projects supervised by cooperating institutions.

In endorsing the conclusions of the DSPP evaluation, IFAD's governing bodies took two fundamental decisions: (i) in February 2006,

the Governing Council amended the pertinent article in the Agreement Establishing IFAD, allowing the Fund to take on direct supervision and implementation support; and (ii) in December 2006, the Executive Board approved IFAD's Policy on Supervision and Implementation Support, the first dedicated corporate policy on this subject. An initial assessment of IFAD's progress in implementing the supervision policy is provided below. It is based on an evaluation synthesis report prepared by IOE, which was discussed first at an in-house learning workshop with the participation of IFAD Management and staff in September 2011, and then with the Evaluation Committee in October 2011.

The main findings are grouped under three headings: implementation, performance and resources.

**Implementation.** The supervision policy anticipated a gradual reduction in the reliance on supervision by cooperating institutions from 95 per cent of IFAD-financed projects in 2006 to "most grants/loans being supervised by IFAD by the tenth year," excluding projects initiated by other IFIs and cofinanced by IFAD. In practice, the changeover from supervision by cooperating institutions occurred much faster than anticipated and was practically completed by mid-2010.<sup>15</sup>

Overall, IFAD should be commended for its effort in moving to direct supervision and implementation support. Introducing the supervision policy and its implementation plan was ambitious given the far-reaching implications for the Fund as a whole and for PMD in particular, especially in terms of staff capacities to undertake this new function. It is worth recalling that, at the time of the evaluation of DSPP, enthusiasm for taking

**15.** By mid-2010, only two non-cofinanced projects were still supervised by a cooperating institution (the United Nations Office for Project Services), and these projects have since been completed.

on this function was not shared equally across PMD and its regional divisions. In spite of this, the rapid transition to direct supervision attests to the seriousness and commitment of the CPMs and PMD as a whole, and to their ownership of this function, which is fundamental for achieving better results on the ground.

That said, the specific preparations needed for implementing the policy were somewhat insufficient. For example, the detailed manual providing implementation guidance to staff and consultants only became available nine months after the Board approved the policy. Very little training was provided on the policy's implementation support aspects. Moreover, the roles and responsibilities of PMD and the Controller's and Financial Services Division (CFS) in terms of loan administration, including procurement, were not fully clarified.

Implementation of the policy progressed at different rates across the five regional divisions. This was useful in the initial stages as it allowed each division to make the transition to direct supervision at its own pace. It reflected the varying degrees of internal or external capacities that each division could draw on, as well as flexibility on the part of PMD management. Differences in the approach taken by each regional division (e.g. in the use of country offices, including the outposting of CPMs) also became increasingly marked.

At the same time, the move towards direct supervision was, by and large, PMD-driven, without adequate support provided by other relevant IFAD departments. Moreover, many of the tasks are the sole responsibility of the CPM, which has created issues related to workload and conflict of interest. As regards the latter, the fact that CPMs are supervising projects that they might have themselves been responsible for designing is not ideal. Similarly, a number of recent evaluations have revealed that some CPMs have become too closely involved in project management, which is the prime responsibility of the borrowing Government and not IFAD.

The ad hoc divisional approach described above may have been appropriate in the initial stages of the transition to direct supervision inasmuch as it provided IFAD with opportunities to pilot, and learn from, alternative methods and processes. IFAD now, however, needs to draw on good practices from the different approaches to identify common standards, increase harmonization and efficiency, and reduce risk (e.g. by adopting common quality assurance processes). This will require IFAD to do a better job both in learning about processes related to direct supervision and in sharing the knowledge acquired through its direct supervision activities.

**Performance.** Initial indications suggest that direct supervision has contributed to improving the performance of IFAD-supported projects and country programmes. It has enabled IFAD to get "closer to the ground" in recipient countries and to understand the country context better. It has facilitated more direct follow-up with executing agencies in order to resolve bottlenecks emerging during implementation, and closer cooperation with other partners and stakeholders.

These positive contributions are most evident at the project level and include improving the quality of project design, lowering "problem project" numbers and increasing implementation performance levels (including loan disbursement rates). Improvements were more marked in cases where increased implementation support was provided.

Direct supervision and implementation support have also advanced the objectives of country programmes by, for example, increasing programme coherence. However, now that the unit of account is increasingly moving from the individual project to the country programme level, more thought is required on how COSOP supervision can be undertaken effectively. IFAD's performance seems to decline as it moves further away from project level to the other pillars of country programmes, such as knowledge management, partnership

development and policy dialogue. These aspects need to be more actively supervised if they are to improve further.

Some questions raised during the ARRI learning workshop merit more discussion: Direct supervision and implementation support for whom? How should it be done? For what purposes? Serious thinking is needed about the approach to supervision and implementation support in a rapidly changing aid architecture, particularly where there is increased country ownership and a greater participation of civil society in development activities.

**Resources.** As evidenced throughout this report, the shift from supervision led by cooperating institutions to direct supervision and implementation support has had a huge impact on the work of CPMs. In addition to the delivery of new projects and programmes, they are increasingly being asked to perform a wide variety of functions (e.g. policy dialogue, partnership-building, the promotion of innovation and scaling up). PMD has addressed this issue in part by increasing the number of CPMs, but, at the same time, it is requiring them to allocate more time to management issues, such as checking withdrawal applications, and coaching and mentoring country office staff.

The supervision policy set in motion a gradual shift of the centre of gravity of IFAD's work from headquarters to the field. In some cases, this has implicated the transfer of responsibilities to country offices and their gradual strengthening. At present, there are different models for country, regional and subregional offices. Interestingly, PMD projects that the large majority of newly recruited staff in the next few years will be posted to the field. Together with the outposting of CPMs, this change will create great opportunities, in terms of enhancing efficiencies and development effectiveness, but also challenges, in terms of IFAD's organizational structure, job descriptions, and accountability and incentives frameworks. Further, ways need to be explored to integrate existing in-house resources (the Policy and Technical

Advisory Division (PTA), Controller and Financial Services Division (CFS), the Office of the General Counsel, etc.) more fully into supervision processes.

There is also need to reflect on the trade-offs and division of labour involved in conducting this process from Rome headquarters or from country offices. Now that direct supervision is well under way, CPM resources need to be directed at leveraging the increased knowledge gained to build better country programmes, improve project design, and engage in policy dialogue and partnership-building. At the same time, more thought needs to be given to the amount of time CPMs should invest in controls (particularly of expenditures and disbursements) that might be better assigned to other headquarters or country-level staff. Thus, a better understanding of the roles, responsibilities and distribution of labour within PMD (among the CPMs, portfolio advisors, PTA technical advisors, programme assistants and the country office) and between PMD and CFS is required. To date, it is not clear to what extent the Information Circular to All Staff on "The new IFAD loan and grant administration model" is being implemented. This is important as it is supposed to define the relationship between PMD and CFS.

**Issues for the forthcoming CLE.** The synthesis report on supervision, the learning workshop and discussions in the Evaluation Committee raised a number of questions that merit further analysis in the context of the CLE on direct supervision and implementation support planned next year by IOE. These include:

- (i) What is the appropriate division of labour between IFAD headquarters and country offices? What roles and responsibilities do the different IFAD divisions have in the direct supervision and implementation support functions?
- (ii) How can supervision be organized at the COSOP level?

- (iii) What are the systems and opportunities for strengthening knowledge management on supervision and implementation support processes, as well as on agriculture and rural development issues?
- (iv) How can institutional and individual accountability frameworks and incentives be enhanced?
- (v) What measures are needed to improve understanding of the costs associated with supervision and implementation support?
- (vi) How can supervision and implementation support be organized with cofinanciers to avoid duplication of efforts and reduce transaction costs across agencies, for the government and for CPMs in particular?
- (vii) What makes a good supervision mission? What is the best way of assessing the quality of supervision? How binding is the aide-mémoire? What power does the mission leader have to make decisions on fiduciary aspects? How can supervision reflect and enhance partnerships?