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International Fund for Agricultural Development**

**Supervision Modalities in IFAD Supported Projects
Corporate-level Evaluation Report**

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Photo on cover page

Republic of Uganda - Vegetable Oil Development Project

Farmers in Alela, a village in Lira District, weed sunflower plants. The Vegetable Oil Development Project is assisting farmers to cultivate, produce, and sell oil made from vegetables in Lira District, northern Uganda. This is an IFAD supported project co-financed and supervised by the World Bank and was visited by the evaluation team during its field work.

IFAD Photo by Robert Grossman

Supervision Modalities in IFAD Supported Projects

Corporate-level Evaluation Report

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*All annexes are available from IFAD's Office of Evaluation – Tel: +39 06 5459 2048 or email: evaluation@ifad.org

Abbreviations and Acronyms

AfDB	African Development Bank
AFESD	Arab Fund for Economic and Social Development
AR	Appraisal Report
AsDB	Asian Development Bank
AWPB	Annual Work Programme and Budget
BCIE	Central American Bank for Economic Integration
BOAD	Banque Ouest Africaine de Développement
CAF	Andean Development Corporation
CDB	Caribbean Development Bank
CI	Cooperating Institution
CLP	Core Learning Partnership (part of OE's evaluation methodology)
COSOP	Country Strategic Opportunities Paper
CPM	Country Portfolio Manager (IFAD)
DR	Desk Review (of project documentation)
EB	Executive Board (IFAD)
FAO/IC	FAO Investment Centre
FC	Office of the Controller (IFAD)
GC	Governing Council (IFAD)
IE	Interim Evaluation
IFI	International Financial Institution (multilateral lending institutions)
LAU	UNOPS Loans Administration Unit in Rome
M&E	Monitoring and Evaluation
MSR	Minimum Supervision Requirements (for IFAD supervision)
MTR	Mid-term Review
OA	Office of Internal Audit (IFAD)
OE	Office of Evaluation (IFAD)
OED	World Bank Operations Evaluation Department
OL	Office of the General Council (IFAD)
OSC	Operational Strategy and Policy Guidance Committee (IFAD)
PA	West and Central Africa Division (IFAD)
PD	Technical Advisory Division (IFAD)
PDF	Project Development Fund (IFAD)
PDFF	Project Development and Facilitation Fund (replaced PDF in 2002)
PDT	Project Development Team (IFAD)
PF	East and Southern Africa Division (IFAD)
PI	Asia and Pacific Division (IFAD)
PIM	Project Implementation Manual
PL	Latin America and Caribbean Division (IFAD)
PN	Near East and North Africa Division (IFAD)
PM	Project Manager (IFAD)
PMD	Project Management Department (IFAD)
PMO	UNOPS Portfolio Management Officer

PMS	Project Manager Survey
PMU	Project Management Unit
PPR	Project Portfolio Review
PSR	Project Status Report
PSS	Project Staff Survey
QA	Quality Assurance
QAG	(World Bank) Quality Assurance Group
QSA	Quality of Supervision Assessment
RSM	(World Bank) Regional Sector Manager
SM	Supervision Mission
SOF	Special Operations Facility
SUW	Project Start up Workshop
TAG	Technical Assistance Grant
TORs	Terms of Reference
TRC	Technical Review Committee
TTL	(World Bank) Task Team Leader
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
USD	US Dollar
W/A	Withdrawal Application
WB	World Bank

Supervision Modalities in IFAD Supported Projects Corporate-level Evaluation Report

Agreement at Completion Point¹

I. BACKGROUND

1. In 1996 the Programme Management Department (PMD) commissioned a Joint Review of Supervision Issues in IFAD Financed Projects. The review presented five recommendations, which were approved by IFAD's² Governing Council (GC) in 1997 together with a five year Plan of Action, which provided detailed steps and timeframes to guide implementation of these recommendations by PMD. The present evaluation covers IFAD's supervision experience under the new arrangements introduced through the 1997 Plan of Action. However, it does not contain a full assessment of the IFAD direct supervision pilot experiment because of its recent vintage.

2. In addition to the implementation of the Plan of Action, supervision of IFAD financed projects since 1997 has been affected by the emergence of new areas of IFAD priorities. They include: (i) more emphasis on IFAD specific aspects during implementation, i.e. participation, poverty targeting, gender sensitive implementation, participatory M&E and impact achievement and assessment; (ii) IFAD's new strategic imperatives as articulated in its Strategic Framework 2002-2006 and the efforts to strengthen IFAD's field presence and accountability; and (iii) changes in the nature of IFAD projects from input/output orientation to process orientation and community-driven approaches.

3. Within the above mentioned framework, the evaluation objectives were to, inter alia, assess: (i) the effectiveness of current supervision modalities against the MSRs and other indicators of quality; (ii) the current relevance of the 1998 MSRs; and (iii) the efficiency of ongoing supervision modalities.

4. As per IFIs practice, two main composite supervision functions can be distinguished: (i) Supervising the procurement, disbursement, end use of funds and compliance with loans/grant contracts. The supervision of these fiduciary aspects is seen as the core or mandatory function of supervision, and (ii) Providing assistance to borrowers during execution of various project activities and helping them respond to lender's requirements. This is interpreted as implementation support to the borrowers. The conventional IFIs model in supervision typically puts more emphasis on the first function and relies on distant periodic missions mounted by the financing institution.

5. In addition to the implementation support function embodied in project supervision by CIs, IFAD uses the term "implementation support" to denote its own activities in strengthening CIs supervision of project implementation, in order to ensure observance of its lending policies and criteria, its specific priorities and strategic imperatives. These activities consist mainly of field missions by IFAD staff and specialized consultants during project implementation for safeguarding IFAD's specificity. The evaluation reviewed this function as exercised currently by IFAD.

¹ This agreement reflects an understanding among the key partners to adopt and implement recommendations stemming from the evaluation. The agreement was formulated in consultation with the members of the Core Learning Partnership (CLP). The CLP comprised IFAD's Assistant President/PMD; Director Office of Evaluation; Deputy Director Office of Evaluation; representatives from PMD; representatives from CIs; a representative from PMD Front Office; selected representatives from IFAD-supported projects; a representative from the Technical Advisory Division ; Representative from the Controller's Office/Loan. See Appendix VIII for full list of CLP members.

² (i) introduce and enforce minimum supervision requirements (MSRs) for the CIs; (ii) improve coordination procedures between IFAD and the CIs; (iii) establish an efficient portfolio management system; (iv) strengthen IFAD priority areas of getting results on the ground and reinforce the learning loop; and, (v) undertake an experimental direct project supervision programme by IFAD for 15 of its initiated projects (three for each regional division).

II. OVERVIEW OF MAJOR FINDINGS

6. In its assessment of the **effectiveness of supervision**, the evaluation findings confirmed that the MSRs have been generally met though at a lower level than had been anticipated by the 1997 GC decision. Variations in performance were observed between the CIs and between the various tasks making up project supervision. On the whole, the largest CIs (UNOPS and the World Bank) as well as the recently started direct supervision showed a stronger supervision performance than the regional, smaller CIs. Consistently, CIs have performed better on the *mandatory (core) function* whereas implementation support, particularly for IFAD's specific requirements (and strategic imperatives), lagged behind. For *implementation support*, a function of major importance for IFAD type interventions, greater variation in performance were found between CIs. Substantial scope for improvement in implementation support by the CIs still exists, as well as for the implementation support function exercised directly by IFAD.

7. Good progress has been made toward a more effective portfolio management system as per the requirement of the five year Plan of Action. Such progress was achieved through the deepening of the PPR process (development of the PSR, regional portfolio reviews, and consolidated Annual Progress Report on the Project Portfolio). This enabled IFAD management and its EB to monitor more closely ongoing projects and to focus attention on critical portfolio concerns and take necessary action. Nevertheless there remains some shortcomings in the PPR process as a vehicle for improving the quality of supervision.

8. The evaluation highlighted the observed trend of supervision concentration (mainly in UNOPS) and the potential inherent risks associated with such concentration. This has been reinforced by the agreed phasing out of supervision by the World Bank of IFAD initiated projects. But the IFI model of supervision, also used by UNOPS, has gone largely unchanged. The clients (project managers) expressed the need for more frequent supervision when required; more participatory supervision; inclusion of more appropriate skills mix in supervision missions; better access to implementation support; higher effectiveness and relevance in support services; and more reliance on in-country or regional resources in providing such support.

9. Regarding the relevance of MSRs to the current institutional requirements of IFAD, the evaluation found that the standards applied for the mandatory aspects are not defined in sufficient detail in the MSRs. The definitions of implementation support are equally vague relative to IFAD's long and extensive experience in rural poverty reduction, its emerging strategic imperatives, and the aspirations of its clients. The Cooperation Agreements and Letters of Appointment for the CIs do not clearly refer to the MSRs nor IFAD's specific requirements in supervision, hence do not provide clarity and incentives for good supervision. On the efficiency of supervision, while higher supervision cost was found to be generally associated with higher supervision quality, there is scope for increasing efficiency by realistically linking supervision cost to project specific needs.

10. Overall, evaluation findings attested that the currently prevailing IFIs type supervision is not suitable for the changing nature of IFAD's support to its borrowing member countries. IFAD needs to develop different, more suitable and sustainable modalities based on building local capacities for more relevant and consistent implementation support linked to a form of IFAD's field presence.

11. Project supervision in IFAD is therefore faced with **major challenges in the following areas** :

- The changing nature of IFAD interventions requires a **new supervision policy and modalities** giving stronger emphasis to **implementation support** by local resources.
- The **Minimum Supervision Requirements** (MSRs) need to be transformed into an instrument that would ensure clarity and consistency in supervision of IFAD supported projects across CIs.
- The portfolio management system needs to be enhanced by adding a specific dimension to ensure the **quality of supervision** of CIs as well as that of IFAD.

- There is a need to **reinforce the learning loop** from project implementation experience and to improve the procedures for **coordination between IFAD and the CIs**.

III. AGREED UPON RECOMMENDATIONS AND IMPLEMENTATION PLAN

1. Develop a New Policy of Supervision in IFAD.

While supervision effectiveness obtained under the present modalities is encouraging overall, there is an urgent need for improvement in the areas that respond to the changing priorities and nature of the Fund's operations. This would require changes in the present supervision practices and the development of a new supervision policy and modalities. One promising opportunity to bring about sustainable improvements in project supervision to meet IFAD's requirements relate to supporting national/regional capacity building that aim at strengthening the supply of local implementation support services to IFAD supported projects.

Following the discussion of evaluation findings with the CLP, PMD launched a revision of ongoing practices for the development of a new policy in this area. In line with its strategic framework, IFAD will favour a policy that promotes the strengthening of in-country capacities and a maximum involvement of local stakeholders in impact achievement. This approach will be reflected in the clear establishment of the distinction between:

- *The mandatory (core) supervisory functions including loan administration; and*
- *Implementation support aimed at strengthening programme poverty impact and sustainability.*

A stronger emphasis should be given to the latter to assist projects in achieving the intended poverty impact given IFAD's strategic imperatives. In formulating the new policy, this distinction will guide the definition of supervision objectives, the selection of cooperating institutions, the extent of concentration in the use of CIs, the role of IFAD and the CI in the mandatory supervision function and in implementation support, the link between implementation support and IFAD's new pilot field presence initiative and the allocation of resources to supervision and implementation support activities. A strategic emphasis on supervision quality and the strengthening of relevant standards and processes will support the revised policy.

Agreed Implementation Plan:

While the process of formulating the new Supervision Policy has already started by PMD, its full articulation and finalisation will have to take into consideration the findings and recommendations of the ongoing Independent External Evaluation and the Evaluation of IFAD's Direct Supervision Pilot Programme by OE. The results of these two evaluations are expected by early and mid 2005 respectively. The finalization of the new policy on Supervision can therefore be expected in late 2005. This policy will be closely followed by the development of regional supervision and implementation support programmes.

Time of Completion: December 2005

2. Revise and Update the MSRs and Hold the CIs Firmly Accountable to them.

While MSRs were introduced with a view to establishing a common base for supervision carried out by all CIs and reflecting IFAD's specific requirements, this was not fully achieved. An unfinished agenda remains if the MSRs (or some equivalent common standards for supervision of IFAD supported projects) are to become the intended instrument that helps ensure consistency, quality and relevance in supervision of IFAD supported projects.

Within the framework of the new supervision policy the MSRs will need revision and reinforcement with regard to the following aspects:

- MSRs require a transformation into a system that can reassure IFAD about the inclusion of its new concerns and priorities that need to be reflected in supervision standards.
- Mandatory or core supervision functions are to be spelled out more clearly and clarification to be given as to the difference between these functions and implementation support. This would be made in reference to IFAD specific requirements and strategic imperatives.
- Incorporation of the revised requirements in the Cooperation Agreements with CIs.
- Revised letters of appointment of CIs should refer explicitly to the revised MSRs.

Agreed Implementation Plan:

1. PMD to revise MSRs guided by evaluation findings and the new policy on supervision.

Time of completion: March 2006

2. Cooperation Agreements with CIs to be revised accordingly.

Time of completion: July 2006

3. Letter of Appointments for CIs to reflect the new required standards.

Time of completion: March 2006 and beyond

3. Assess IFAD's Implementation Support Patterns and Practices.

IFAD has established a system of **implementation support** as an input in the supervision process to strengthen CI supervision efforts; this covers a wide spectrum of technical and socio-economic inputs in support of project implementation. The evaluation, however, did not find a systematic correlation between implementation support and CI performance or with project performance. It noted, moreover, a limited use of local resources and weaknesses in the way projects interact with and benefit from implementation support experts.

It is recommended to undertake a review of implementation support practices by IFAD and their link with CI supervision and project performance. Clear principles for the use of this instrument should be established with a view to ensuring resource allocation in areas of maximum returns for project performance and impact achievement.

Agreed Implementation Plan:

As part of the revision and updating of the MSRs, PMD will revisit its implementation support practices with the aim of clarifying its purpose, role and underlying principles; maximising project benefits from this support; and enhancing its effectiveness and relevance through the use of local resources and appropriate experts.

Time of completion: March 2006

4. Improve Supervision Quality Assurance in IFAD.

The Project Portfolio Review (PPR) has become an important management tool for addressing issues identified in the portfolio. It does not at present, however, have **quality of supervision** as a primary objective, and its role in monitoring and improving supervision quality is minimal. Extending the PPR process to include a mechanism for rigorous review and assessment of the quality of supervision would facilitate a more consistent monitoring of CI performance, enable IFAD to give a better informed feedback to CI and form the basis for an assessment of the quality of the direct supervision carried out by IFAD.

The PPR process should be strengthened by adding a stronger institutional focus on the supervision quality assurance function. For this purpose IFAD can introduce an instrument that is designed to enhance supervision accountability for meeting well defined standards. This would apply to CIs and IFAD direct supervision. A periodic assessment of supervision quality could start out by a limited sample of the portfolio – and over the years a good part of the portfolio would be captured.

Agreed Implementation Plan:

1. PMD to review the supervision quality assurance schemes in selected IFIs to identify best practices.
2. Elaboration of a suitable supervision quality assurance scheme for IFAD (including budget).

Time of completion: June 2005

5. Strengthening Partnership with CIs: Improving Coordination and Enhancing CIs Performance in IFAD's Specific Aspects³.

In assessing CI-performance, the evaluation team found that supervision of and support to IFAD specific aspects showed a generally lower performance than other supervision functions. Similar weaknesses were evident regarding IFAD's strategic imperatives. The evaluation concluded that IFAD needs to devote more consistent efforts to inform the CIs about new and emerging developments in IFAD and strengthen the knowledge flow from IFAD to the CIs. Other improvements in the collaborative procedures between IFAD and the CIs called for under the Five-Year Action Plan did not fully materialize. More frequent meetings have been held between IFAD and the major CIs but have not systematically addressed all areas delineated under the 1997 Plan of Action. Informal cooperation between CPMs and their counterparts in the CIs remains the basis for coordination and effectiveness.

IFAD should ensure that CIs get regularly informed about new approaches, strategies and policies developed by IFAD, and associated guidelines, so that they can be reflected in their supervision activities. Similarly, project staff in the field should be regularly updated in these aspects which should be included in capacity building and implementation support activities at project level. By introducing redefined supervision and implementation support requirements, areas of overlapping responsibilities between IFAD and the CI should be minimized. The practice of regular meetings in headquarters and regions should be maintained and streamlined with the aim of strengthening partnership relations and knowledge exchange.

Agreed Implementation Plan:

1. Setting up of mechanisms for regular briefing and communication with CIs on corporate developments in IFAD.

Time of completion: April 2005

2. Reflect clear delineation of CI-responsibilities in revised Cooperation Agreements.

Time of completion: July 2006

6. Strengthen the Learning Loop from Supervision.

By introducing direct supervision, IFAD was expected to, inter alia, strengthen the process of learning from its field experience, thereby closing and reinforcing the learning cycle between project implementation and design. In addition, the Plan of Action called for reinforcing the learning loop generally from supervision by IFAD as well as CIs. The evaluation found that the flow of ideas and

³ This combines evaluation recommendations number 3 and 7 due to the linkages between them and their related coverage.

lessons learned from implementation stays within a small group of consultants and those CPMs and CI supervisors that have responsibility for supervision. Aside from informal, personal interactions, IFAD still lacks an in-house mechanism to capture supervision based knowledge and disseminate best practices.

More needs to be done for systematizing the learning loop, from implementation to design involving the principal actors familiar with supervision on the one hand and the project formulation/appraisal on the other. This should not be limited to the direct supervision experiment but requires drawing on CI staff, as well as design and implementation consultants.

Agreed Implementation Plan:

PMD will institute a mechanism of knowledge sharing and dissemination of learning from supervision within IFAD and between IFAD and its CIs.

Time of completion: Ongoing: from 2005 onwards

7. Setting Realistic Fees for the CIs and Base it on Project Needs : Budgetary Implications

Overall, the evaluation concluded that higher supervision performance is associated with higher supervision cost. The extensive review process with UNOPS and, to some extent, with the World Bank, revealed that IFAD's demands on CIs to undertake additional supervision work often led to very high workloads for supervision staff and is believed not to be commensurate with fee level. This has in the view of some CIs resulted in a non-sustainable working environment. On the other hand, IFAD clients have stressed the need to be flexible in supervision frequency and link it to projects needs at various implementation stages.

If the scope of supervision is to be maintained or even enhanced, including a practice of an average of two supervision missions at least in the initial phase of project implementation, a longer stay in the project area and adequate interaction with beneficiaries, realism in the setting of fees is of essence. Implementation support by IFAD is a complementary resource to the supervision work done by CIs and would have to be considered in the context of setting realistic CI fees.

Agreed Implementation Plan:

While maintaining a zero-growth budget, IFAD is in the process of reviewing supervision requirements and resulting costs, aiming at greater flexibility in the use of existing resources, adapting supervision activities to the specific needs of the projects concerned and identifying cost-effective solutions for implementation support.

Agreed upon time plan: Ongoing

Finally, it has to be emphasised that the evaluation did not examine the resource implications of the recommendations in general. Such implications will nevertheless have to be examined prior to implementation of the recommendations as the adequate availability of resources conditions the compliance with the agreed upon follow up and time plan.

Supervision Modalities in IFAD Supported Projects Corporate-level Evaluation Report

EXECUTIVE SUMMARY⁴

I. INTRODUCTION

1. Improving the quality of project implementation and achieving better results on the ground has been a priority for the International Fund for Agricultural Development (IFAD) since the early 1990s. This gave rise to a series of studies to examine and clarify the role of project supervision in the IFAD project cycle.⁵ In 1996 the Programme Management Department (PMD) commissioned a Joint Review of Supervision Issues in IFAD Financed Projects in collaboration with four major Cooperating Institutions (CIs). The review presented five recommendations: (i) introduce and enforce Minimum Supervision Requirements (MSRs) for the CIs; (ii) improve coordination procedures between IFAD and the CIs; (iii) establish an efficient portfolio management system; (iv) strengthen IFAD priority areas of getting results on the ground and reinforce the learning loop; and, (v) undertake an experimental direct project supervision programme by IFAD for 15 of its initiated projects (three for each regional division).

2. The Governing Council (GC) approved the recommendations of the Report of the Joint Review on Supervision Issues and an associated five year Plan of Action (GC 20/Resolutions, 21 February 1997, 102XX). The five year Plan of Action (1997-2001) provided detailed steps and timeframes to guide implementation of these recommendations by PMD. As the Plan of Action was to be completed by December 2001, the Office of Evaluation (OE), in agreement with PMD, decided to undertake an Evaluation of the Supervision Modalities in IFAD projects.

3. In addition to the implementation of the Plan of Action, supervision of IFAD financed projects since 1997 has been affected by the emergence of new areas of IFAD priorities. These have been fully taken into consideration by the evaluation, they include: (i) more emphasis on IFAD specific aspects, i.e. participation, targeting, gender mainstreaming and gender sensitive implementation, and stressing impact achievement and assessment during implementation; (ii) the emergence IFAD's new strategic imperatives as articulated in its Strategic Framework 2002-2006 and the efforts to strengthen IFAD's field presence and accountability; and (iii) changes in the nature of IFAD projects from input/output orientation to process orientation and community-driven approaches.

4. The evaluation objectives were to assess: (i) the effectiveness of current supervision modalities against the MSRs and others indicators of quality and review the achievements under the Five-Year Plan of Action; (ii) the adequacy of current supervision modalities seen from different partners perspectives; (iii) the efficiency of current supervision modalities; and, (iv) the current relevance of the 1998 MSRs. As most of the directly supervised projects are in the early stages of implementation, the evaluation only reviewed emerging characteristics of the direct supervision programme, including an initial analysis of the cost structure.

5. The evaluation methodology consisted of: (i) a desk review (DR) and assessment of supervision reports in 57 representative projects by regions and CIs; (ii) field partners' perspectives from a survey of 112 project management units (PMUs) (response rate 60%) cross-referenced through field visits to

⁴ The Corporate Level Evaluation Team comprised: Ms Mona Bishay, Deputy Director Office of Evaluation (Team Leader); Mr Ian Teese (Senior Evaluation Consultant/Agricultural Economist); Ms Maliha Hussein (Evaluation Consultant/Rural Sociologist); Ms Sandra Romboli (IFAD Consultant); and Mr Hans Wyss (Special Resource Person). The team was also supported by three consultant reviewers: Jane Blaxland, Hamdy Eisa and Octavio Damiani for the French, Arabic and Spanish reports respectively.

⁵ The Agreement Establishing IFAD states that the Fund shall delegate this role to cooperating institutions: "The Fund shall entrust 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, to competent international institutions". (Article 7, Section 2(g) of the Agreement Establishing IFAD).

selected ongoing projects; (iii) IFAD staff perspectives from questionnaires sent to 65 Country Portfolio Managers (CPMs), regional directors and other operational staff (63% response rate), direct discussion with IFAD staff and PMD's assessment of project supervision in the project status reports (PSRs); (iv) perspectives of managers and staff of the two main CIs – the United Nations Office for Project Services (UNOPS) and the World Bank; and, (v) analysis of supervision costs collated by the IFAD Office of Internal Audit (OA).

II. SUPERVISION OF IFAD PROJECTS

6. Four supervision functions have been defined for IFAD (as per International Financial Institutions (IFIs) practice) and elaborated in the 1996 Report of the Joint Review (Box 1). Because of their open-endedness, the third and fourth functions (referred to jointly as implementation support by the supervising entity) have a large resource absorption potential. In addition as part of the 1997 Action Plan IFAD developed in 1998 the MSRs for its CIs (Table 1 of the Annex).

Supervision Functions
1. Supervising the procurement, disbursement and end use of funds (<i>mandatory, fiduciary or core</i>)
2. Monitoring compliance with loans/grant contracts (<i>mandatory, fiduciary or core</i>)
3. Facilitating implementation by helping borrower's interpret and respond to the lender's requirements (<i>discretionary</i>)
4. Providing <i>substantive</i> implementation assistance to borrowers (<i>discretionary</i>)

Source: Report of the Joint Review, 1996

7. Supervision during project implementation, despite its importance, is only one of many factors that determine project performance. These factors include: (i) quality of the project design and preparation; (ii) quality of project management; (iii) the political and economic environment; (iv) commitment and ownership by government, co-financiers and implementation agencies; and, (v) quality and timing of supervision inputs.

8. Since the GC decision of 1997 IFAD has reduced the number of CIs used by one (Inter American Development Bank) while the share of the African Development Bank (AfDB) and the Asian Development Bank (AsDB) in supervising IFAD projects declined markedly. The five main CIs (UNOPS, World Bank, Corporation Andina de Fomento (CAF), the Arab Fund for Economic and Social Development (AFESD) and Banque Ouest Africaine de Developpement (BOAD) have increased their share of supervising IFAD projects (from 80% to 85%) between 1996 and 2002. These CIs, with IFAD direct supervision, were responsible for supervising 92% of the portfolio in December 2002. (Table 2 of the Annex). The evaluation concentrated its analysis on these five CIs and to the extent possible IFAD direct supervision.

9. In addition to the implementation support function embodied in project supervision by CIs (paragraph 6), IFAD uses the term "implementation support" (sometimes also referred to as implementation follow up by IFAD) to pursue its policy stated in the Lending Policies and Criteria⁶ (1994 version, paragraph 43): "The Fund... will itself actively participate in [the supervision of project implementation], in order to ensure observance of its lending policies and criteria". This activity/ies consists mainly of missions by IFAD staff and specialized consultants to visit projects for safeguarding IFAD's specificity and to supplement and strengthen the supervision by CIs. IFAD staff have access to various sources of funds to supplement CIs work in the implementation support area. The evaluation briefly reviewed this function as exercised currently by IFAD.

⁶ 1994 version, paragraph 43.

III. EFFECTIVENESS OF CURRENT SUPERVISION MODALITIES

A. Desk Review of Supervision Quality

10. **Quality of Supervision.** The evaluation considered four elements as indications of the quality of supervision (i.e., its effectiveness) based on expectations of the 1997 GC decision as well as IFAD's priorities: (i) adequacy of supervision inputs and processes; (ii) how well CIs are meeting the MSRs; (iii) the degree to which IFAD specific aspects are being addressed through the supervision process; and (iv) the degree to which IFAD's strategic imperatives are being incorporated into the supervision process.

11. **Supervision Inputs.** These were defined as frequency and length of supervision missions (SMs), size and composition of missions and mission leaders turnover. The evaluation found that:

- most CIs carry out one mission per year, the World Bank and IFAD has closer to two missions per year;
- IFAD direct supervision and the World Bank have the longest average length of SM (18 days) and AFESD the shortest (five days). AFESD and CAF mission durations did not allow adequate time for field visits.
- CIs have had various levels of variations of SM leadership with UNOPS having the highest turnover. Evaluation findings indicate that the lack of continuity in supervision mission leadership is reducing the effectiveness of supervision and project performance.
- the World Bank and IFAD direct supervision, on average, have the largest SMs followed by UNOPS then the other CIs. Supervision findings indicate that the larger SM team, allowing various disciplines to be included, led to overall better supervision output.

12. **Weaknesses in Definition of MSRs Criteria.** The evaluation found that the standards applied for fiduciary issues are not defined in sufficient detail in the MSRs. The issue of irregularity in project auditing is a case in point. The definitions of implementation support and human dimension in the MSRs are equally vague relative to IFAD's long and extensive experience in rural poverty reduction.

13. **Supervision Quality under MSRs Criteria.** Overall, the DR found the MSRs have been met with some variations among its components. For *core supervision* functions, CI performance was overall good with little variance among the CIs. For *implementation support* greater differences were found, with World Bank, IFAD direct supervision and UNOPS showing the best performance. All CIs and IFAD direct supervision found the *human dimension* more difficult to handle though IFAD and UNOPS have a certain edge. To a large extent this is due to the lack of clarity of the concept and various interpretations by various CIs. CI performance with respect to supervision administration was rather low. This covers supervision planning and strategy for the whole project. In sum, the DR concluded that the MSRs introduced in 1997 were generally met though at a lower level than had been anticipated given the expectations of the GC decision. The evaluation also found that the supervision process, its expected standards and emphasis were not sufficiently documented or described in the Appraisal Reports (ARs), the loan documents and the letters of appointment.

14. **IFAD Specific Aspects and Strategic Imperatives.** Supervision fared lower in addressing IFAD specific aspects. UNOPS and IFAD direct supervision performed relatively better, due to their closeness to the evolving IFAD priorities (UNOPS not being an IFI with a specific mandate). On the strategic imperatives, no clear pattern could be discerned. The generally poor ratings seem largely the result of unclear definition and a lack of institutionalised and systematic communication on these imperatives by IFAD to the CIs and their staff (neither the CIs nor IFAD were held accountable on this particular aspect by the evaluation analysis). The World Bank scored better in linking supervision with policy dialogue whereas UNOPS was best in emphasising impact achievement. This analysis also

indicated that increasing the size of SMs, especially by including a sociologist and/or gender specialist, improved the prospect for better addressing the IFAD specific aspects. The time SMs spent in the field was a positive factor in addressing the specific aspects.

15. IFAD-specific aspects were understood differently among IFAD regions. For example participatory approaches were better appreciated and implemented in Asia and Latin America. Similarly, gender issues were not only understood differently in the different regions but mechanisms of support and guidance provided for them varied by CIs in the various regions

16. **Relation between Supervision Quality and Project Performance.** Quantitative analysis revealed an apparent weak influence of supervision (core as well as implementation support) on project performance. Regression of average project performance rating for each CI in each region (as per CPMs assessment) against the assessed supervision rating showed only a slight positive correlation between supervision 'quality' and project performance.

17. **The Focus of ARs and the Loan Agreements in Outlining IFAD Specific Aspects** and its implementation mechanisms was found to be an important factor in the attention eventually attached to these aspects during supervision. However, detailed description in ARs is not sufficient to ensure that SMs will highlight these issues, as this depends on the quality of the SM team.

18. **The Cooperation Agreements and Letters of Appointment for the CIs** are vaguely worded, do not refer clearly to the MSRs nor IFAD's specific requirements in supervision, hence do not provide incentives for good supervision. This is particularly significant for UNOPS and the World Bank in supervising IFAD-initiated projects. Many of these agreements have not been updated since the signature of the original version.

B. Perspectives from the Field

19. **Overall Views from the Field.** Project managers' views on the supervision process indicate that, overall, the process is working quite well and is highly appreciated with high ratings given to reporting, meeting core supervision requirements and assisting to achieve project goals. Project managers feel that supervision is a positive experience and helps them in project implementation. Project management assessment of supervision was systematically above average and higher than the DR estimate. They scored IFAD direct supervision best in terms of achieving the MSRs, as well as the IFAD-specific aspects. About three quarters of project management expectations from supervision are in the area of implementation support, not the core/mandatory aspect of supervision. The most frequent expectations relate to advice and guidance on achieving and assessing impact, targeting women and participatory monitoring.

20. **Concerns of Project Managers.** There remained *concerns by project managers in specific areas of supervision*: they expressed the need for:

- more participatory supervision relating to more involvement in the preparation of SM TORs and the selection of SM specialists and more intensive interaction with the target group and project staff during SM;
- inclusion of more appropriate skills mix on the missions particularly to cover IFAD's specific aspects;
- better, more frequent access to implementation support sources at local level;
- more reliance on in-country or regional resources in providing implementation support and invest in their capacity enhancement;
- greater support in developing their Monitoring and Evaluation (M&E) systems particularly for participatory monitoring and impact assessment;

- flexibility in supervision frequency as per project needs with two supervision missions per year particularly in early project implementation and for projects covering a large geographic area.

21. **Preference for IFAD Direct Supervision.** While project managers assessment for the main service providers was not significantly different and was above average for all five CIs, IFAD direct supervision appears most appreciated by IFAD supported projects because of:

- the direct involvement of the CPMs and thus the elimination of the ambiguity in the respective roles of IFAD and the CI;
- more effective consultations with government and better influence on decision makers;
- a generally faster response to project queries;
- the larger teams and more frequent supervision missions used under IFAD direct supervision which appear to have given better services to the projects concerned.

22. **Achieving MSRs and IFAD Specific Aspects.** Project manager response indicate that MSRs are overall achieved by all main CIs. The perception of project managers with regard to the supervision of IFAD specific aspects is that SMs on the whole address these aspects satisfactorily, but participation by the target group and gender sensitive implementation are the least satisfactory. Evaluation field visits, in particular, indicate that the expectations of project management regarding IFAD-specific areas in general are driven by a realism with which they have to address these subject matters every day and a realization of the extent of difficulties involved.

23. The field visits also suggested that the role and responsibilities of the field partners (governments and implementing agencies) in project supervision should be outlined more specifically in the ARs and other loan documentation. In particular project managers felt that SMs could be used for helping to resolve pending problems with higher level officials. IFAD's advantage in this area was the clearest.

C. IFAD Staff Views

24. **CPM Assessment of CI Performance.** Within PMD's internal project portfolio review, IFAD's CPMs are requested to rate the CI's supervision performance for each project. No rating is provided for direct supervision. The CPMs rated the performance of the two CIs with the largest portfolios, UNOPS and the World Bank, as well as BOAD, most favourably followed by AFESD and CAF. In the view of the CPMs there was, on average, a reasonable supervision performance for the main CIs though many areas were pointed out for improvements. For the weaker ones IFAD stepped in to overcome identified weaknesses through the use of IFAD implementation support instrument.

25. **Relations with CIs.** All CPMs view supervision as a process to provide feedback on whether a project is in line with its objectives, to recommend corrective actions and to ensure adherence to the fiduciary aspects. But significant ambiguities remain among CPMs about the extent of their involvement in CI supervised projects. This highlights the "grey" areas, which exist in the respective responsibilities of the CIs and the CPMs. A large majority of IFAD staff believes that: (i) CI responsibilities should be more clearly defined in legal documents; (ii) a more specific and detailed letter of appointment tailored to each project is needed; (iii) clear performance indicators for CIs should be developed and the CIs held accountable to them; (iv) IFAD should develop and provide detailed guidelines for supervision of IFAD specific areas of concern and should enhance the capacity of CIs through training in these areas; and (v) the CIs need guidance in supporting the project to establish a better system to monitor and assess project impact.

26. **Minimum Supervision Requirements.** CPMs recognized that CIs on the whole meet the MSRs. However, a high majority of staff (75%) do not find the MSRs particularly useful and attest to their inadequacy regarding IFAD specific aspects. Many CPMs were not completely clear over the exact content of the MSRs.

27. **Current Supervision Modalities.** These were not found satisfactory for IFAD staff. A good majority (71%) believes that IFAD should not continue with the modality prevailing currently nor with the IFIs type supervision being used. Many argued that IFAD needs to develop different modalities based on building local capacities for implementation support and a form of IFAD's field presence. They stressed that supervision should be undertaken in close partnership with all stakeholders and use locally based resources to reflect the changing nature of IFAD supported projects (see also paragraph 30). CPMs believe that IFAD has become too dependant on one cooperating institution (UNOPS), and that the Fund should promote more diversification and competition amongst the CIs to enhance the quality of service. A large majority (71%) would like to see the projects supervised by UNOPS decrease. Some argued that as most CIs have no presence on the ground nor do they have real ownership for IFAD initiated projects, they cannot provide the desired supervision quality. Several experienced staff members observed that two (full) SMs per year gave a much better result, particularly during the first 2-3 years of a project.

28. **Supervision Quality.** A strong interest (82% of staff interviewed) was expressed in strengthening PMD's internal portfolio review mechanism to improve supervision quality. ARs and Project Implementation Manuals (PIMs) need to address issues essential for good supervision more explicitly to help CIs carry out their task, facilitate monitoring and promote accountability. CPMs believe IFAD specific aspects are generally not well covered in supervision because these issues are not properly covered in the legal agreements between IFAD and the borrowing governments, and between IFAD and the CIs.

29. **View of IFAD Staff Regarding Future Supervision Modalities.** Two thirds (65%) of IFAD staff believe that direct supervision is the preferred option. The same figure for the group of CPMs that currently directly supervise the 15 pilot projects was as high as 80%. About one third of the total staff interviewed rated direct supervision as their least preferred option. This reflects different views as to what are, and should be, the CPM's priority work areas and their involvement in the supervision work of the CIs. CPMs not involved in direct supervision were generally less enthusiastic about direct supervision than those who are currently doing it, suggesting that the experience with direct supervision for the responsible CPM has had significant rewards. The CPMs undertaking direct supervision were very conscious of the additional workload arising from direct supervision as well as the difficulties encountered in mobilising the required resources, yet most of them are professionally satisfied and stimulated by direct supervision and believed in its worth for achieving better quality supervision and eventually better results on the ground.

30. **IFAD's Culture and the Role of Supervision.** Many CPMs emphasized that IFAD still needs to shift its culture from design to implementation and impact achievement. To achieve this shift resources allocated to implementation phase should increase and changes should also be effected in the supervision modalities which would reflect the new trends in the way IFAD undertakes its business. Reference was made to the shift in IFAD projects from input/output orientation to process orientation and community-driven approaches, the emphasis on building local level institutional capacities, undertaking policy dialogue, enhancing local level partnership and empowering the rural poor. The quality of implementation support, embodied in supervision, should be consistent with this new orientation. IFAD should be more open to other more innovative options for supervision, and link it with the current IFAD efforts to develop its field presence.

D. Cost of Supervision

31. The estimated cost of supervision is based on the work of IFAD's Office of Internal Audit for the two years 2001 and 2002. Cost of supervision of IFAD supported projects include: (i) fees paid directly to CIs; (ii) the IFAD staff costs incurred to oversee support and implement supervision by CIs and by IFAD; and (iii) the cost of implementation support to the supervision process through IFAD follow up budget and grant funds. The cost of IFAD staff time, in terms of salary, pension etc., has been imputed using estimated time inputs from CPMs and other staff. For 2001 and 2002 the average

supervision cost ranged from USD 22 874 to USD 89 873 for directly supervised projects with an average of about USD 60 000 for CIs and IFAD. The average cost of the World Bank and of UNOPS for IFAD initiated projects was 74 254 and 68 682 USD respectively.

32. The analysis of supervision effectiveness, and supervision costs indicates that, on the whole the best performing supervisors (CIs or IFAD) are those with the higher cost. This is an approximate indicator that IFAD is getting proportional benefits from its resource allocation to supervision. There is, however, still quite a scope for enhancing supervision quality.

33. UNOPS, compared to the World Bank in particular, provides a satisfactory standard of full supervision services considering the lower level of fees that IFAD makes available for this CI. The extra costs of World Bank supervision on IFAD initiated projects are only partially offset by improved mandatory supervision services. Some of the regional co-financing CIs including AFESD (with below average supervision fees) perform well on the core supervision functions but need additional implementation support by IFAD to achieve an overall acceptable standard. CPMs have been active and imaginative in obtaining funds from grant resources and supplementary trust funds to provide additional implementation support to these institutions (see paragraph 47).

IV. COOPERATING INSTITUTIONS PERSPECTIVES

34. Both UNOPS and World Bank staff highlighted the importance of informal relationships between CPMs and the supervision staff relative to (the generally irregular) formal interaction between the organizations. Both institutions suggested a desire for greater clarity in spelling out the respective responsibilities. In particular, UNOPS stressed the need to clarify IFAD expectations and welcomed the provision of more detailed guidelines and training on IFAD specific requirements. UNOPS maintains that its fees are set at a relatively low level in relation to IFAD's requests. This and the high work loads of its staff and their frequent field travel led some UNOPS staff to view IFAD as a "high maintenance client". The majority of UNOPS staff expressed the view that the relationship is increasingly dealt with as "client service provider" in the strictest sense not as a partnership for poverty alleviation.

35. UNOPS Portfolio Management Officers (PMOs) saw supervision as '*facilitating an evolving process*' to deliver successful projects⁷. Implementation support was seen as an important task but views varied on how well this could be achieved by UNOPS within the limited time and resources available for SMs. It was observed that supervision should identify where implementation support is needed and IFAD should mobilize resources on an ongoing basis to provide the inputs required. This is particularly relevant for building institutional capacity as it is a long term process. Supervision processes⁸ in UNOPS are not fully documented (though guidelines on loan administration exist) and new staff rely on more experienced staff for support. In offices with a low rate of staff turnover this is not a major problem, but other offices have, and are still, experiencing high staff turnover⁹. This places more pressure on the more experienced UNOPS/PMOs. A higher turnover of staff, resulting partly from the high work load and constant travelling, as well as lack of appropriate incentive framework, have reduced the quality of supervision. The major concern expressed, aside from the limited cost allowance, is that IFAD does not have a systematic process to communicate its priorities on IFAD specific aspects and IFAD strategic imperatives to the CIs.

36. The World Bank uses a similar but more comprehensive supervision process than UNOPS. The supervision guidelines are extensive and are supported by specific financial management, procurement

⁷ The role of the CIs were modified in the new General Conditions produced in 1998 to add the facilitation role of supervision. This had apparently not been clearly communicated to some PMOs.

⁸ In addition to loan and procurement administration, new PMOs expressed a need for further training in high level negotiation and change management skills.

⁹ By mid 2003, UNOPS Kuala Lumpur office will possibly have three out of four IFAD PMOs with less than 12 months supervision experience.

and safe guard procedures and documentation. The World Bank has clear accountability and quality assurance management processes in place for supervision. World Bank staff are very clear that supervision processes on IFAD projects have to be consistent with World Bank projects. Supervision inputs must cover three main areas: (i) fiduciary issues; (ii) ten safeguard requirements; and, (iii) implementation support. The first two areas were the highest priority given available resources.

37. As IFAD developed its capacity and expertise in certain areas, pressure has been applied by some CPMs on the World Bank to address IFAD specific aspects as part of supervision implementation support. Often the relatively small IFAD funded component(s) is more complex, geographically remote and with emphasis on community based activities and local institutions building. This requires additional time and skills inputs that the World Bank argues is not paid directly for. The World Bank staff see advantages in working with IFAD on projects targeted at rural poor, but they argue that IFAD will need to provide additional resources to ensure IFAD's specific interests are covered in projects that are initiated and supervised by World Bank. World Bank staff also flagged an apparent lack of communications and feedback processes, including systematic apprising about the changing IFAD priorities. This aspect assumes greater importance with the IFI CIs if IFAD is to succeed in influencing these institutions toward the goals of rural poverty reduction.

38. UNOPS has and can adjust its approaches to meet IFAD requirements but the World Bank staff are somewhat more constrained by the requirements to meet World Bank mandatory supervision requirements and safeguards. Although UNOPS has staff dedicated to IFAD work these staff are not included in the other parts of the programme cycle, e.g. design efforts, IFAD's internal portfolio review, and IFAD fora concerned with developing future vision and strategy.

V. IMPLEMENTATION OF THE FIVE YEAR PLAN OF ACTION

39. Implementation of the Action Plan has been substantial but not complete as summarized below:

1. **MSRs** have not been incorporated into formal and legal documents with the CIs. For core supervision functions, MSRs are fulfilled, to varying degrees, by most CIs. However, IFAD specific concerns are not being adequately addressed by the MSRs and some are dealt with in a vague manner. CIs performance relating to these concerns is lower. There is no clear system to hold CIs accountable for MSRs.
2. **Coordination Procedures** between IFAD and CIs have not been systematically addressed with informal cooperation between CPMs and their CI counterparts still the basis for coordination and effectiveness.
3. **Portfolio Management.** Good progress has been made and a more efficient portfolio management system is in place. PSRs are prepared as part of the yearly regional portfolio reviews with a consolidated Project Portfolio Review (PPR) presented annually to the April Executive Board (EB). The "realism" of estimates of project and CI performance could be improved through an agreement on clearer more detailed indicators to facilitate monitoring. A separate accounting system to track the actual cost of direct supervision has been developed, but is not used systematically and effectively.
4. **Strengthening Learning Loop.** The main learning linkage continues to be an informal and loose process. Consultants working directly with CPMs undertake implementation follow up and project design/review work. No formal mechanism was put in place to capture learning from CI and IFAD supervision experiences. Given staff workload it is not evident how effective is the informal process of exchanging knowledge.
5. **The Direct Supervision Pilot Programme** has been fully implemented using modalities ranging from the UNOPS model to large consultant teams mobilized twice per year. Average annual direct supervision costs are higher than those for other supervision modalities. Systems to monitor and assess improvement in project performance through direct supervision have not been put in place nor have mechanisms to ensure that the value added by direct supervision experience is shared and disseminated in-house and with CIs.

VI. MAIN CONCLUSIONS

40. **Supervision in IFAD's Project Cycle.** Institutional attention to supervision is a reflection of IFAD's strategic emphasis and priorities with respect to various stages of the project cycle. The dominance of design (and pre implementation) cost in IFAD's project cycle is a manifestation of an underlying institutional priorities to project approval stage. IFAD efforts to shift its emphasis to implementation stage and impact achievement have to be enhanced. One way of doing this is through strengthening the supervision processes.

41. **Supervision Effectiveness.** A large cross regions and cross CIs assessment by the evaluation team attested to a reasonable level of supervision overall though with variations between the various tasks making up project supervision and between the CIs. Consistently CIs have performed better on fiduciary aspects whereas implementation support, particularly for IFAD's specific requirements (and strategic imperatives), lagged behind. A similar view as to the effectiveness of supervision was found among IFAD operational staff. They also expressed strong views regarding the need to modify existing supervision modalities.

42. The supervised clients (project managers), on the other hand, expressed remarkable satisfaction with supervision of their projects. They ranked the services they receive from supervision at a consistently higher level (between fully and highly satisfactory), but services received from IFAD's direct supervision ranked best. However, they strongly expressed the need for more frequent and better access to local level implementation support, more participatory supervision and for changing supervision frequency with the nature of the project and the implementation stage.

43. On the whole, UNOPS, the recently started IFAD's direct supervision and the World Bank showed a stronger supervision performance than the regional, smaller CIs. IFAD direct supervision followed by UNOPS ranked systematically better in implementation support. CAF and AFESD were found relatively less effective than the other CIs. Smaller regional IFI/CIs notably CAF and BOAD are receiving closer attention by the regional divisions in terms of building their capacity and there are recent emerging signs that these efforts may pay off. All perspectives indicated that while a number of areas require attention from IFAD to improve supervision, the IFI model in supervision, currently prevailing in IFAD, is not likely to deliver the quality of supervision needed under IFAD changing priorities and nature of field operations. An innovative break through is needed to move supervision to a higher plateau of performance.

44. **Implementation of the Five Year Action Plan.** While attention to supervision in IFAD has no doubt improved after 1997, the changes called for by the Five-Year Plan of Action have only partly been achieved. Progress was concentrated in the PPR/PSR processes and, most important, in the introduction of direct supervision. The MSRs were developed, and are currently met, but the standards they embody are below what an institution of IFAD's mandate and experience in poverty reduction should be expecting. There remains an important agenda to be pursued. MSRs – or any equivalent form of common guidance for supervision of IFAD supported projects – must be made the working instrument that ensures consistency between IFAD specific interests and what is pursued on the ground. Some other unfinished agenda also remains from the 1997 Plan of Action in the areas of coordination between IFAD and the CIs and reinforcing the learning loop between design and implementation.

45. **Project Portfolio Management.** Very good progress has been made in portfolio management. This has enabled IFAD's management and its EB to focus attention on critical portfolio concerns and to take necessary actions. It also has helped to bring an institutional perspective to what otherwise CPMs might have looked at from single project and/or country angles. Nevertheless there remains some short comings about the PPR process as a vehicle for improving the quality of supervision. Renewed and more intensive efforts are needed in these areas to enhance supervision quality and

overall accountability in delivering supervision services. IFAD's Controller's Office remains concerned about the handling of audits.

46. **Concentration of Supervision and the IFIs Model** Concentration of project supervision into fewer CIs has continued in recent years. UNOPS is currently responsible for supervising about 60% of ongoing projects and is the only non IFI CI. But the IFIs model of supervision¹⁰, also used by UNOPS, has gone largely unchanged. Because of the changing way of conceptualizing and designing projects in IFAD, the IFI model in supervision may not be the most effective modality to enhance project performance. The evaluation found some interesting pioneering work (notably in PL) done through the use of regional technical assistance grant (TAG) funded programmes for capacity building of local and regional institutions to provide significant inputs into the supervision process in support of project implementation. Some CPMs are also pioneering local level partnerships a proxy for field presence to promote the right type of project implementation support. There is an opportunity to extend and develop further innovative supervision modalities that are especially suited to the needs of IFAD assisted projects in different regions.

47. **The Role of Implementation Support by IFAD.** Implementation support, to supplement CI supervision, has existed in IFAD from the very beginning and is firmly established as an input in the supervision process. Despite its importance and the large amount of resources it absorbs (more than one quarter of supervision costs), IFAD has not developed a clear operational policy and priorities on which to anchor this concept. The evaluation did not find any direct correlation between implementation support and CI performance nor with project performance. Most importantly the use of implementation support is not linked with a clear policy of local and national capacity building. This may not be consistent with sustainability requirements.

48. IFAD supported projects expressed the desire for more frequent interaction with locally-based implementation advisers, particularly for process oriented community driven projects (currently the majority of IFAD projects). There is a need for a re-examination of the concept of implementation support in IFAD (and for the CIs), re-position it within a medium-term strategy for strengthening local capacity towards the support of community-driven projects and adopt a more systematic approach in its execution.

49. **Cost of Supervision.** The results of cost analysis for all CIs over two years (2001 and 2002) demonstrated that the best performing CIs are those with the higher supervision cost. As various CPMs observed "IFAD gets from CIs what it pays for". While this is an approximate indication that benefits are in line with cost incurred, no conclusive statements can yet be made (particularly regarding IFAD direct supervision) as this would require, inter alia, analysis over a longer time horizon. Difficulties in data availability and compilation prevented the undertaking of such exercise.

50. **Direct Supervision.** The evaluation preliminary findings noted many positive features in the performance of direct supervision. This was confirmed by the DR and the project managers survey. The evaluation also noted some tradeoffs, in particular in terms of the high unit costs of direct supervision. However, the evaluation could not draw any firm conclusions regarding direct supervision as the average implementation period of the directly supervised projects and the disbursement rates were much below other projects reviewed.

VII. RECOMMENDATIONS

51. The evaluation recommends that actions are taken to shift the boundaries of the supervision modalities for IFAD towards a new model that better reflects the nature and needs of IFAD supported projects. It is recommended that actions are taken at two levels simultaneously: (i) Policy Level and (ii) Operational Level.

¹⁰ With supervision done through external missions once or twice a year concentrating mainly on fiduciary aspects.

A. Policy Level

Recommendation 1: Develop a New Policy and Regional Programmes for Supervision in IFAD.

The need to introduce improved supervision modalities reflecting the changing priorities and nature of the Fund's supported projects has become evident through the evaluation.

A number of pioneering initiatives are now under way in IFAD at regions and/or CPMs' level. The evaluation recommends that IFAD builds on these initiatives and develop a new medium term IFAD policy for supervision. The policy should combine two crucial dimensions of IFAD's emerging priorities: building local/regional level capacities and promoting innovative partnership with stakeholders at local level for pro-poor implementation support. The policy should specify the principles involved in designing and implementing regional programmes that extend and develop improved supervision modalities taking into consideration the variance in institutional capacities in different regions, and linking explicitly with the IFAD ongoing efforts regarding its field presence. An implementation plan with measurable indicators would have to be associated with the development of such a policy, including at the level of the different regional divisions programmes. While the results of the policy are gradually materializing, IFAD should continue to address areas needing strengthening under the current modalities.

B. Operational Level

Recommendation 2 Revise and update IFAD's Minimum Supervision Requirements for its CIs and hold CIs firmly accountable to the MSRs

The number one recommendation of the 1997 Five-Year Plan of Action, is in need of renewal and reinforcement with respect to (i) its transformation into a *dynamic system* that reassures IFAD that emerging new concerns and priorities are reflected in supervision standards; (ii) core supervision and fiduciary aspects and IFAD specific requirements to be spelled out clearly and their standards specified; (iii) cooperation agreements and letters of appointments with CIs to rigorously reflect the new MSRs (or new standards) with special emphasis on IFAD specific aspects and strategic imperatives; (iv) adherence of CIs to these principles to be closely monitored (see also recommendation 5).

Recommendation 3 Build CI capacity in the supervision of IFAD's specific aspects and provide appropriate tools

It is IFAD's responsibility to strengthen the capacity of the supervisors of its supported projects (CIs and CPMs). Written guiding frameworks, periodic joint CI/IFAD training sessions and sharing of learning and best practices between CIs and between IFAD and CIs can lead to great improvement. Training of project staff themselves in these aspects is an important dimension of capacity building and should be considered a priority area for implementation support by IFAD.

Recommendation 4 Assess and revise IFAD's implementation support patterns and practices

It is critical to realign the use of all IFAD instruments used in supervision towards capacity building and local level partnership for better project implementation. It is recommended that PMD undertakes an assessment of implementation support practices in IFAD and their effect on project performance and to establish on these basis clear principles and criteria for the use of this instrument and monitor it closely to ensure that resources are allocated in areas of maximum returns for project performance.

Recommendation 5 Improve supervision quality assurance in IFAD

It is recommended to strengthen the PRR process by adding a strong institutional focus on *improving the quality of supervision and facilitating monitoring of CI performance*. This would increase the confidence in the reliability of the PPR system as a portfolio monitoring mechanism and enable IFAD

to give a better informed feedback to CIs. Under such a focus IFAD would introduce a vehicle to provide incentives for good supervision, enhance supervision accountability for meeting well defined standards and improve results on the ground. This should apply to CI as well IFAD direct supervision. The latter is particularly important as no system exists at the moment within PSR to assess the performance of supervision in directly supervised projects. CIs would have to be incorporated in such quality assurance process to ensure ownership of recommendations. Reviewing other IFIs practice in this respect would help identify good practices.

Recommendation 6 Strengthen the learning loop from supervision

Much more needs to be done for a systematic strengthening of the learning loop between design and implementation across and within projects. A more systematized learning process has to be developed, involving the principal actors involved with supervision on the one hand and with project formulation/appraisal and the project portfolio review mechanism on the other. It seems especially appropriate to draw on UNOPS PMOs who have specialized experience with the implementation of IFAD supported project as well as supervision consultants.

Recommendation 7 Improve coordination between IFAD and CIs and strengthen the partnership dimension

This continues to be a matter of concern for IFAD and the CIs, and to some extent project managers. Institutionally the agenda for improvements in this domain should eliminate areas of overlap, clarify responsibilities, improve communication, establish a more consistent reporting system across all CIs, and expand the view about CIs from mere service providers to partners for rural poverty reduction with joint responsibility for outcome and stronger ownership. Appropriate incentives for supervisors are of essence to develop such ownership.

Recommendation 8 Exercise realism in setting up fees for the CIs and base it on project needs

If the scope of supervision is to be consistently maintained or even enhanced, including the practice of an average of two supervision missions at least at the initial phase of project implementation, of a longer stay in the project area, and adequate interaction with beneficiaries, realism in the setting of fees is essential. Implementation support, a subject recommended for review under recommendation 4, is a complementary resource in strengthening supervision services performed by CIs and would have to be considered in the context of setting realistic CI fees.

Supervision Modalities in IFAD Supported Projects Corporate-level Evaluation

MAIN REPORT

I. INTRODUCTION

A. Background

1. Improving the quality of project implementation and achieving higher results on the ground has been a growing concern since the early 1990s for the International Fund for Agricultural Development (IFAD), as for the other International Financing Institutions (IFIs). This gave rise to a series of studies to examine and clarify the role of project supervision in the IFAD project cycle.¹¹

2. In 1993 the Monitoring and Evaluation Division of IFAD assessed the relationship between IFAD and its Cooperating Institutions (CIs) responsible for the supervision of IFAD-financed projects. It recommended that *“in some selected cases, IFAD should carry out independently the supervision and loan administration of its projects”*. The purpose of such an experiment was to learn from new approaches to project supervision. A number of initiatives were taken by IFAD to further investigate this recommendation. In 1996 The Project Management Department (PMD) commissioned a joint Review of Supervision Issues in IFAD Financed Projects in collaboration with four major¹² CIs.

3. The 1996 review concluded that *“not even the strongest CIs are meeting IFAD’s requirements for an impact-oriented supervision”*. It noted that, for IFAD, *“serious disadvantages had arisen from its inability to learn, even to a limited extent, from direct supervision experience”*. In the eyes of the CIs, this made IFAD a *“lesser partner in terms of this experience”*. The report presented five recommendations:

- i) Adopt a new IFAD policy to ensure that all CIs are held to certain Minimum Supervision Requirements (MSRs). This would allow the introduction of a more transparent selection of CIs and a higher quality of services in terms of setting a “bottom line” for IFAD expectations;
- ii) Improve the present procedures for coordination between IFAD and the CIs to eliminate areas of overlap between CI supervision and IFAD follow-up activities, improve procedures for cooperation, and establish more consistent and relevant reporting;
- iii) Establish a much more efficient portfolio management system for a closer monitoring of ongoing projects and a cleaning-up of the IFAD portfolio;
- iv) Strengthen the emerging IFAD priority of getting results on the ground and reinforcing the learning loop from the experience of ongoing and completed projects; and
- v) Begin a selective experimental Direct Project Supervision programme covering a small, representative sample of IFAD initiated projects, including some projects that are innovative in design or implementation approach.

4. The Executive Board (EB) considered the Report of the Joint Review in December 1996. In submitting the Report¹³ to the Governing Council (GC) for its Twentieth Session in February 1997,

¹¹ The Agreement Establishing IFAD states that the Fund shall delegate this role to cooperating institutions: “The Fund shall entrust 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, to competent international institutions”. (Article 7, Section 2(g) of the Agreement Establishing IFAD).

¹² United Nations Office for Project Services (UNOPS), the World Bank, the Arab Fund for Economic and Social Development (AFESD), and the African Development Bank (AfDB).

¹³ (GC 20/L.10, 13 January 1997).

IFAD management proposed a Five Year Plan of Action (1997-2001) (reviewed in chapter VI).¹⁴ The Plan of Action gives detailed steps and specific timeframes to guide its implementation (Appendix I).

5. The GC approved the recommendations of the Report of the Joint Review on Supervision Issues and the Plan of Action.¹⁵ It allowed IFAD to directly supervise up to 15 projects and programmes with no more than three projects per IFAD operational region during a period of five years. This resolution ceases to be operational five years after the date of effectiveness of the last approved project. Prior to that latter date, the President of IFAD is to submit a report on IFAD's experience and conclusions regarding the experimental project supervision and loan administration to the EB for its review. Based on its review, the EB will make recommendations for the consideration by the GC on the future direction and approach to supervision of IFAD financed projects.

6. In approving the recommendations of the above report, the GC stated that there will be no cost increase involved in direct project supervision as IFAD would use the same funds currently budgeted for supervision by the CIs to cover its own direct supervision activities.

7. As the Plan of Action was to be completed by the end of 2001, the IFAD's Office of Evaluation (OE) in agreement with PMD, decided to undertake an Evaluation of the Supervision Modalities in IFAD supported projects. Because of the early stages of implementation of most of the direct supervision projects the evaluation limited itself to some of the emerging specific characteristics and results of the direct supervision programme, including an initial analysis of the different cost structures. A full scale evaluation of the Direct Supervision experience will be undertaken by OE in 2004.

8. In addition to the implementation of the Plan of Action, supervision of IFAD financed projects since 1997 has been affected by the emergence of new trends in development assistance and areas of IFAD priorities. These have been fully taken into consideration by the evaluation:

- **Social Issues.** During the last few years there has been an increasing awareness of the impact of social and community based issues on successful project implementation for rural poverty reduction. Greater importance has been attached to community driven type projects. This brought into sharper focus the importance of adequately addressing the IFAD specific aspects during the supervision process. These aspects include: (i) participation of the target poor groups in planning, implementing and monitoring project activities; (ii) targeting specific project activities to poor rural women; (iii) targeting specific activities to poor groups; (iv) gender mainstreaming and gender sensitive implementation; and (v) stressing impact achievement and assessment during implementation.
- **Strengthening Field Presence and Accountability.** During the consultations for the most recent replenishment, strengthening IFAD's field presence and accountability, were highlighted. Currently the supervision process has a major role in both areas: (i) CIs (and IFAD in its direct supervision) have regular inputs to projects at field level where projects are visited at least once a year, and (ii) CIs provide the frontline for IFAD in ensuring accountability for IFAD resources committed to projects and in supporting the achievement of the planned outcomes.
- **IFAD's Updated Strategic Imperatives** have been articulated in its Strategic Framework 2002-2006 with a view to having IFAD incorporate them in the design and implementation of projects both in structured and informal ways. They include emphasis on IFAD's catalytic role including partnership development, policy dialogue, knowledge generation, as well as promoting innovative approaches in rural poverty reduction and their scaling up. The genesis of these imperatives can be traced in the development of IFAD thinking about its role in poverty reduction since the mid 1990s. Mainstreaming these imperatives requires attention not only in project formulation, but in supervision as well.

¹⁴ (GC 20/L.10/Add 1, 30 January 1997).

¹⁵ (GC 20/Resolutions, 21 February 1997, 102XX).

- **Change in the Nature of IFAD Projects.** The way IFAD has been designing projects has recently shifted from input/output orientation to process orientation and community-driven approaches. More emphasis is put on building local level institutions, policy advocacy enhancing local level partnership and empowering the rural poor. The quality of implementation support, embodied in supervision, need to change to meet the requirement of this new orientation.

B. Objectives of the Evaluation

9. The evaluation assesses the effects of the changes introduced under the *Five-Year Plan of Action (1997-2001)*. It is being conducted within the framework of recent and ongoing efforts that are likely to shape IFAD's outlook in the medium term. The objectives of the evaluation were to:

- Evaluate the effectiveness of current supervision modalities against the minimum supervision requirements introduced in 1997 and other indicators of quality, and review the achievements under the Five-Year Plan of Action.
- Assess the adequacy of current supervision modalities, seen from different partners' perspective, and analyse the convergence or divergence of views in this regard.
- Assess the efficiency of current supervision modalities.
- Assess the current relevance of the 1997 IFAD's MSR's.
- On the basis of the findings under the above points, compare the strengths and weaknesses of current supervision modalities (including those emerging under IFAD direct supervision) and provide guidance to IFAD on reorienting existing practices or formulating new ones, as required, to enhance supervision effectiveness.

10. It has to be stressed upfront that the evaluation does not intend to undertake a full fledged assessment of the IFAD's direct supervision pilot experiment due to the relatively recent vintage of this experiment. As of December 2002 (the starting date of the evaluation work) he directly supervised projects on average had reached only completed about 40% of their planned implementation period and disbursed only 27% of total loans. This compares to more than 65% implementation time and 53% disbursement rate of all other projects reviewed. Only tentative results of the performance of IFAD's directly supervised projects can therefore be reported by the evaluation.

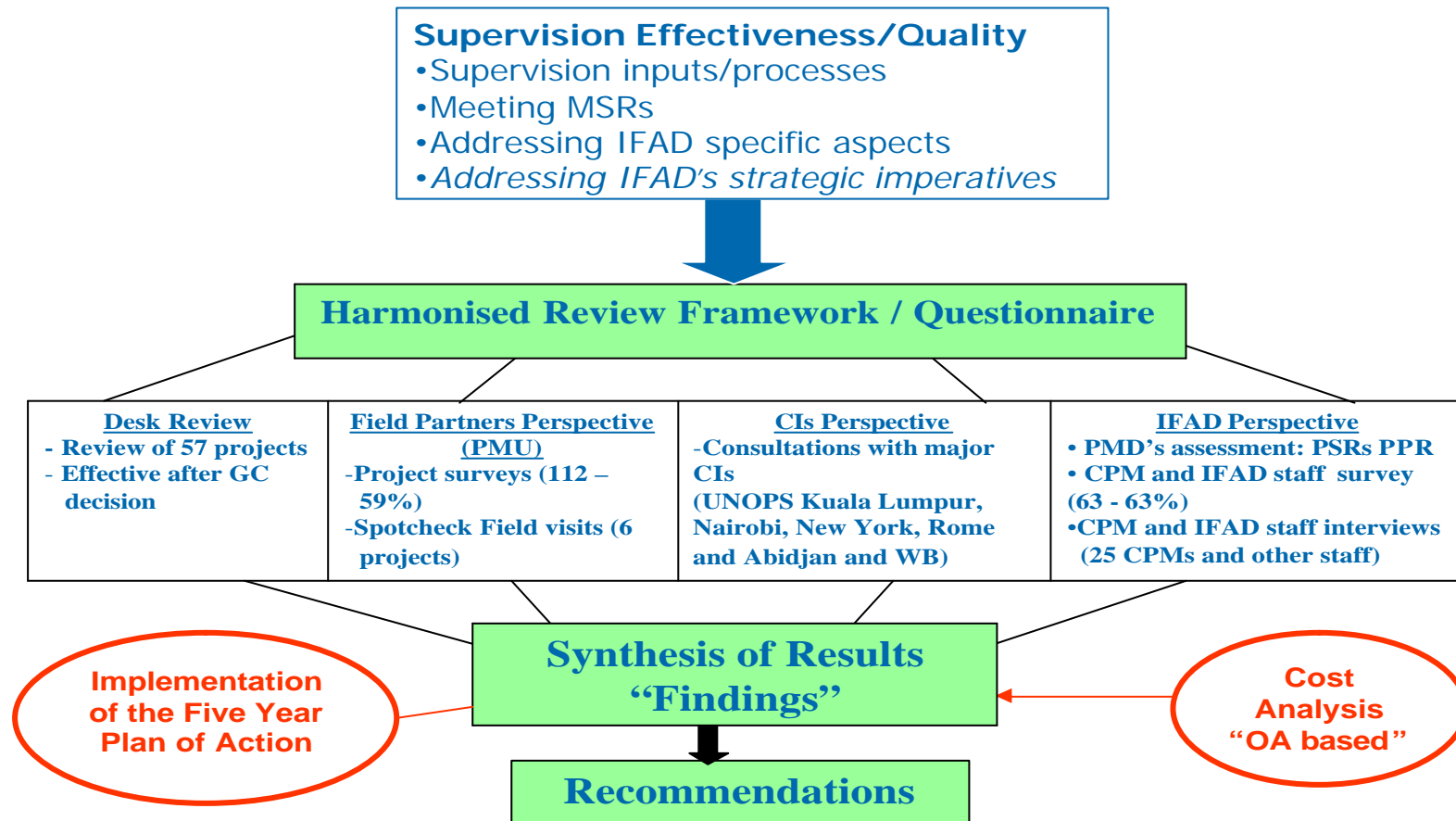
C. Evaluation Methodology and Process

11. The present evaluation attempts to capture the complex realities of the supervision modalities of IFAD supported projects. IFAD financed projects are being supervised overwhelmingly by CIs, thus involving a principal additional partner between IFAD and the borrowers/the rural poor. IFAD itself is also quite often involved during project implementation of CIs' supervised projects in an implementation support capacity. Project implementation partners often have to deal and interact with both IFAD and the CI during project implementation. The evaluation was designed to capture the perspective of major partners involved in the supervision process. An important new dimension has been introduced that makes this a different evaluation of IFAD's supervision from previous efforts. The main partners responsible for project implementation, i.e., project managers and staff, have been intensively consulted for feedback on their perception regarding the adequacy of supervision. When feasible, quantitative methods have been used to provide inputs into the evaluation. Quantitative assessments have been supplemented by a series of interviews/discussions to verify qualitatively the quantitative assessment. The evaluation used the following instruments – see Figure 1 over the page.

Figure 1: Evaluation Approach

Evaluation Approach

Processes used for the Evaluation of IFAD's Supervision Modalities



- A desk review (DR) and assessment by the evaluation team of a sample of 57 IFAD supported projects (the majority effective after the 1997 GC decision). A multilingual team (English, French, Spanish and Arabic) reviewed respective supervision reports using a framework designed for this purpose. The choice of the sample took into consideration regional, CI, as well as project type balance.
- Field partners' perspective was captured through (i) a survey of project management units (PMUs) (translated into all official IFAD languages) in 112 ongoing IFAD projects in the five regions (response rate was 60%); and (ii) a spot-check at field level through visits by the evaluation team¹⁶ to selected projects.¹⁷
- IFAD's perspective was incorporated through (i) a formal survey of IFAD staff (65 questionnaire sent to Country Portfolio Managers (CPMs), regional directors and other staff – 63% response rate); (ii) staff interviews and consultations; and (iii) a review of PMD's self assessment of project supervision included in the Project Status Report (PSR) and Progress Report on Project Portfolio.
- CIs' perspective was captured through extensive consultations/interviews with managers and staff of the two main CIs, UNOPS (New York, Kuala Lumpur, Nairobi, Rome and Abidjan) as well as the World Bank.
- Analysis of supervision cost to determine relative efficiency is based on Project Supervision Review undertaken by IFAD Office of Internal Audit (OA).

II. SUPERVISION IN IFAD'S PROJECT CYCLE

A. The IFAD Project Cycle

12. Project supervision plays an important role in the IFAD project cycle (figure 2, over the page). The design stage (from inception to Board approval) is a relatively short but (cost) intensive phase, lasting between one and two years. Pre-implementation period from approval to effectiveness is also a short but cost intensive period. Implementation of an IFAD project takes more than seven years. During this period, the CI, through its supervision and reporting activities, is the main link between IFAD, its borrowers and the rural poor supported by the project. Supervision is an important factor in ensuring project achievement and impact.

13. In addition, good supervision embodies an ongoing learning process. Those involved in it are custodians of implementation based knowledge. At the end of project implementation, evaluation attempts to capture such knowledge and adds to it through independent field based verification and interactions with partners. However, evaluations are done for only a portion of the portfolio. Link between supervision based learning and future project development is a means of transferring knowledge and improve current practices.

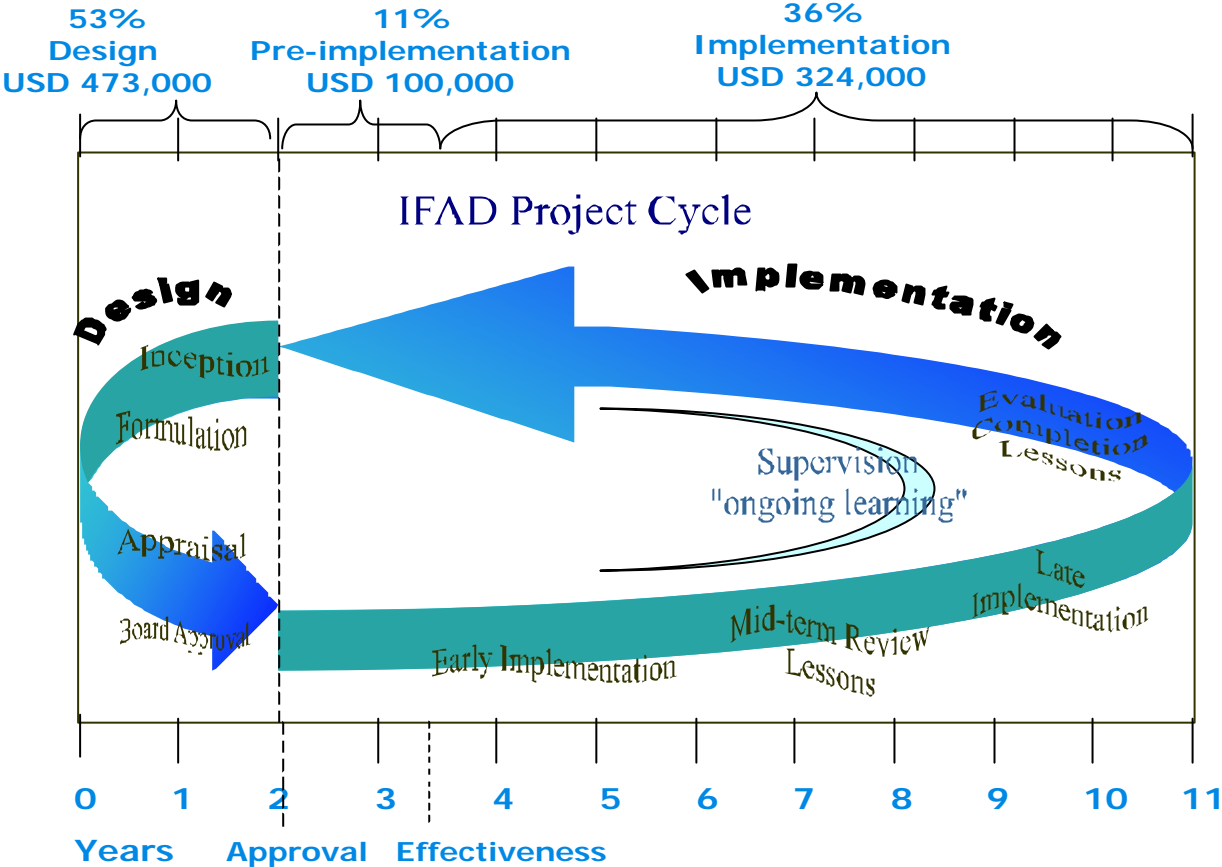
14. The cost of supervision to IFAD over the implementation period of a project is much less than that of the project design and pre-implementation phase (between approval and effectiveness). IFAD's overall average cost of supervision in 2001 and 2002 stood at USD 46 267, that is a total of 324 000 over a seven year implementation period. This compares to USD 473 000 for the design phase and about 100 000 for the pre-implementation phase. Supervision cost therefore amounts to 56% of the average design and pre-implementation cost of IFAD projects over the same two year period. The

¹⁶ The Corporate Level Evaluation Team comprised: Ms Mona Bishay, Deputy Director Office of Evaluation (Team Leader); Mr Ian Teese (Senior Evaluation Consultant/Agricultural Economist); Ms Maliha Hussein (Evaluation Consultant/Rural Sociologist); Ms Sandra Romboli (IFAD Consultant); and Mr Hans Wyss (Special Resource Person). The team was also supported by three consultant reviewers: Jane Blaxland, Hamdy Eisa and Octavio Damiani for the French, Arabic and Spanish reports respectively.

¹⁷ Team members visited two projects in each of Bangladesh, Pakistan and Uganda to cross-reference information collected during the desk review and project manager surveys.

relation between supervision (including implementation support) and design cost illustrates the relative emphasis given by the institution to the two main phases of the project cycle.

Figure 2: IFAD Project Cycle



B. IFAD Supervision Partners

15. Since 1996 IFAD has reduced the number of CIs used by the Inter-America Development Bank (IDB) while the share of the African Development Bank (AfDB) and the Asian Development Bank (AsDB) declined markedly. There has been a concentration in the supervision of IFAD financed projects in five CIs. While in 1996 these five CIs accounted for 80% of all projects, they had grown by the end of 2002 to 85%. To the extent that this study is able to analyse CI specific developments, it will focus on the five main CIs (UNOPS, World Bank, Corporation Andina de Fomento (CAF), Arab Fund for Social and Economic Development (AFESD) and Banque Ouest Africaine de Developpement (BOAD)) and on IFAD directly supervised projects. These CIs together with IFAD supervised 92% of the portfolio at the end of 2002.

C. Definition of Supervision

16. As part of the work done by IFAD since the early 1990s, a number of definitions have been presented regarding its *supervision functions*. The most important distinction, as per practice in IFIs, has been between (a) the supervision needed to satisfy the mandatory requirements of IFAD itself (for fiduciary and other institutional requirements) and (b) the supervision designed to assist the borrower in project implementation, which is of a discretionary nature but reflects IFAD’s mission as a development institution. This was reflected in the four functions presented in Table 2. The first and

second functions are often referred to as loan administration. Because of their open-endedness, the third and fourth functions have a large resource absorptions potential.

Table 1: IFAD Supervision Partners: 1996-2002

Cooperating Institution	1996: No. of Projects	1996: % of Total	2002: No. of projects	2002: % of Total
AfDB	7	3.5	2	1.0
AFESD	17	8.5	11	5.4
AsDB	10	5.0	4	2.0
BCIE	4	2.0	4	2.0
BOAD	9	4.5	11	5.4
CAF	9	4.5	13	6.4
CDB	4	2.0	5	2.4
IDB	2	1.0		
IBRD/IDA (World Bank)	34	16.9	25	12.3
IFAD			14	6.9
UNDDMS*	15	7.5		
UNOPS	90	44.8	114	56.2
TOTAL	201	100.0	203	100.0

*UNDDMS: United Nations Department of Development Support and Management Services, closed down in 1998

Table 2: Supervision Functions*

<ol style="list-style-type: none"> 1. Supervising the procurement, disbursement and end use of funds (<i>mandatory, fiduciary or core</i>) 2. Monitoring compliance with loans/grant contracts (<i>mandatory, fiduciary or core</i>) 3. Facilitating implementation by helping borrower's interpret and respond to the lender's requirements (<i>discretionary</i>) 4. Providing <i>substantive</i> implementation assistance to borrowers (<i>discretionary</i>)

* (as per 1996 Report of the Joint Review)

17. In the wake of the 1997 GC decisions, IFAD took further steps to define its own perception of supervision (Table 3) in the context of IFAD guidelines for direct supervision prepared in 1999. While the above definition brings into sharper focus the implementation assistance aspect in a participatory framework, the guidelines for direct supervision do not provide comprehensive directions on how this definition can be put into practice. The Direct Supervision Guidelines developed, in addition, IFAD's MSRs¹⁸ for cooperating institutions (Table 4).

Table 3: IFAD's Perception of Supervision of its Directly Supervised Projects

<p>'Supervision is a process beyond auditing of project performance. It is intended to encourage the building of a partnership between IFAD, the Borrower, the intended project participants and other stakeholders through: (i) participatory planning; (ii) sensitive execution in favour of the poor; and, (iii) analytical monitoring and impact assessment with the active participation of the rural poor, particularly women.'</p> <p>'It is a process of exploring a set of issues such as: (i) will the project work (will outputs have an impact on Development Objectives)?; (ii) can it be improved (output strategy changed to improve impact)?; and, (iii) is there a better way (a different output strategy altogether to meet the Development Objectives)?'</p>
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¹⁸ The MSR were developed in cooperation with representatives of the main CIs at a workshop in 1998.

Table 4: Summary of IFAD Minimum Supervision Requirements for Cooperating Institutions *

<ol style="list-style-type: none">i. Organize the Project Start-up workshop/mission jointly.ii. Determine the supervision plan for the project.iii. Examine, on a regular basis, the relevance of project activities to project objectives.iv. Review, and in consultation with IFAD, approve the Annual Work Programme and Budget (AWPB).v. Review procurement procedures.vi. Review implementation of the approved AWPB and the preparation of the subsequent AWPB (Include an analysis of the technical and human dimension issues into this review)vii. Review implementation of provisions for beneficiary participation in M&E activities.viii. Identify and facilitate solutions to problems, implementing recommendations of earlier missions.ix. Monitor and secure government compliance with project covenants.x. Monitor submission of financing statements and audit reports and provide timely comments on the audit reports.xi. Monitor that the Special Account and the SOEs and carry out spot checks on SOEs. Ensure that the periodic replenishment of the Special Account.xii. Monitor and secure counterpart funding in accordance with the approved AWPB.xiii. Assist the borrower in preparing Project Completion Reports.

* IFAD's Direct Supervision Guidelines, 1999 (Annex II)

18. The Direct Supervision Guidelines stated that under direct supervision, IFAD will complete the minimum, and provide real value-added to the supervision process by actively encouraging the participation of all stakeholders, particularly the beneficiaries. Given the importance attached to the MSR under the *Five-Year Plan of Action*, the present evaluation will use the MSR as one criterion for assessing the effectiveness of project supervision since 1997.

D. Implementation Follow up by IFAD

19. IFAD uses the term "implementation follow up" (sometimes also referred to as implementation support by IFAD) to pursue its policy stated in the Lending Policies and Criteria (1994 version, paragraph 43): "The Fund... will itself actively participate in [the supervision of project implementation], in order to ensure observance of its lending policies and criteria". This activity/ies consists mainly of missions by IFAD staff and specialized consultants to visit projects for safeguarding IFAD's specificity and to supplement and strengthen CI supervision. The latter role is clearly part of supervision as defined above. IFAD staff have access to various sources of funds to supplement CI work in implementation support. These include implementation follow up budget, Special Operations Facilities (SOF), supplementary and Technical Assistance Grant (TAG) funds.

E. Role of Service Providers in the IFAD Project Cycle

20. IFAD uses a range of service providers to meet its responsibilities in the project cycle including the supervision (see Appendix VI for a responsibility matrix in the IFAD project cycle). The CPMs have the main responsibility for implementation of all project cycle activities except for: (i) supervision undertaken by CIs; (ii) interim [and completion] evaluations, the responsibility of OE; and (iii) loan disbursement and procurement undertaken by CIs in collaboration with Loans and Grants unit of the IFAD Controller's Office.

21. After the CPMs, IFAD funded consultants (recruited individually through consultancy firms) are the main links between the different stages of the project cycle. Consultants provide inputs at all stages of the project cycle. In some cases, the same consultants are hired for supervision and paid by the CI¹⁹

¹⁹ The FAO Investment Centre (FAO/IC) may be contracted for inputs into the design phase and occasionally preparation of the IFAD project completion reports - contracts are under a cooperation agreement between IFAD and FAO.

or hired for implementation support activities and paid by IFAD. These consultants represent a valuable stock of knowledge on design and implementation issues regarding IFAD projects. However, there are no structured processes to incorporate (and extend) their knowledge into IFAD.

22. The CIs have limited inputs into and responsibilities for other stages of the project cycle²⁰ other than project supervision, though by virtue of their responsibilities they have the most project implementation experience and knowledge. This segregation of the design processes from supervision of project implementation reduces the opportunities for IFAD to learn about project implementation experience, knowledge development and dissemination. Indeed this was a core consideration in the 1997 decision that a pilot programme for direct supervision be undertaken by IFAD.

23. The supervision partners and their areas of services (in decreasing order of importance in provision of supervision services) are listed in Table 5. All CIs except UNOPS are co-financing partners with IFAD for projects they supervise. The only exceptions are nine projects initiated by IFAD for which the World Bank provides only supervision services and no co-financing. UNOPS is solely a service provider to IFAD. Three CIs (AFESD, CDB, and BCIE) are mostly providing core supervision services and IFAD covers most of the needed implementation support.

Table 5: IFAD Supervision Partners and Modalities, 2002

	IFAD Regions	Projects Supervised ^a	Services Provided		
			In the Field		From Office
			Core Supervision	Implementation Support	Loan Administration
UNOPS	All	114	✓	✓	✓
World Bank	All	25	✓	✓	✓
CAF	PL	13	✓	✓	✓
AFESD	PN	11	✓		✓
BOAD	PA	11	✓	✓	✓
CDB	PL	5	✓		✓
AsDB	PI	4	✓	✓	✓
BCIE	PL	4	✓		✓
AfDB	PA, PF	2	✓	✓	✓
IFAD Direct Supervision	All	14	✓	✓	By UNOPS ^b

Notes: a) As of December 2002. b) For directly supervised projects, UNOPS has been contracted to provide loan disbursement and procurement checking services. UNOPS also provides training inputs for project staff in loan and procurement administration practices. c) With support from IFAD's Controllers Office.

²⁰ CIs are occasionally invited to make small inputs into the final stages of loan appraisals. In contrast, the World Bank specifies that its task teams must have a major input to the appraisal of projects that it will supervise. CI inputs into the MTR process are usually limited. CIs are usually not invited to participate in (or contribute to) the interim evaluation and completion field missions, but evaluation approach papers are shared with and commented upon by the CIs. They are also invited to participate in the final evaluation workshop/wrap up meeting and are almost always part of the evaluation Core Learning Partnership (CLP).

F. Quality of Supervision

24. Assessing the quality of supervision raises many questions. Firstly, supervision is necessarily only one of many factors that determine project performance. These include the following factors: (i) quality of project design and preparation; (ii) quality of the project management team; (iii) the political and economic environment in the country; (iv) commitment and ownership by government and implementation agencies; and, (v) quality and timing of supervision inputs. It is difficult to quantify the independent contribution of each of these factors to project performance. Staff of the World Bank Quality Assessment Group (QAG) and Operations Evaluation Department (OED) estimate that the majority of projects which have a satisfactory quality of design at entry will be successful, but also that good supervision will make a measurable difference to eventual project impact²¹.

25. The evaluation considered four elements as indications of the quality of supervision (i.e., its effectiveness) based on expectations of the 1997 GC decision as well as IFAD's specific interests and strategic imperatives:

- adequacy of supervision inputs and processes;
- how well CIs are meeting the MSRs;
- the degree to which IFAD specific aspects, particularly beneficiary participation and targeting, gender aspects and participatory monitoring and evaluation (M&E), are being addressed through the supervision process;
- the degree to which IFAD's strategic imperatives are being incorporated into the supervision processes.

26. The assessment of these elements provides a framework against which to compare the relative performance of CIs and the adequacies or otherwise of the supervision of IFAD projects as a whole.

III. EFFECTIVENESS OF CURRENT SUPERVISION MODALITIES

27. This chapter assesses the effectiveness of current supervision modalities as seen by the different partners involved in the supervision of IFAD supported projects. Effectiveness of supervision is defined with reference to the four elements mentioned in paragraph 25 above. The evaluation started with a desk assessment of supervision in a sample of ongoing projects. This was followed by the evidence from the field, consisting of a survey of a sample of project managers giving their view on the adequacy or otherwise of supervision services using the same framework defined above. In addition there were spot-checks through field visits and consultations with a number of borrower officials, project managers and other stakeholders in selected ongoing projects. The perspective of the two major CIs was acquired through consultations with UNOPS (Kuala Lumpur, New York, Nairobi, Rome and Abidjan) and the World Bank (Washington, D.C.). Extensive input was sought from within IFAD; there, the evaluation team was able to draw on (a) a formal survey of CPMs and other IFAD staff familiar with supervision issues; (b) the assessment of supervision based on the PSR system; and (c) consultations with IFAD staff and managers. Given the varying perspectives from these different sources, the sections in this chapter and Chapter V will present the main findings emerging from these different perspectives. The relative efficiency of the supervision modalities is based on a review of the cost of supervision presented in Chapter IV. A brief assessment of the implementation of the Five-Year Plan of Action is given in Chapter VI. The conclusions from the overall assessment and the recommendations are presented in Chapter VII and VIII.

²¹ According to interviews at the World Bank, Washington, DC, May 2003.

A. Desk Review of Supervision Effectiveness

28. The evaluation team reviewed the supervision records for 57 projects²² out of 143 (40%) projects that became effective during 1997 to 2000, i.e., following the GC decision. The distribution of the sample by IFAD Regions and by the supervising CI and IFAD is shown in Table 6. Projects were selected to cover as many countries as possible within regions while maintaining a representative spread of CIs. The sample is representative for aggregate figures as well as for individual CIs. To ensure adequate representation of IFAD's overall portfolio, the evaluation checked two parameters for the DR sample against the overall IFAD portfolio (as reflected in the PSRs): project performance the DR sample showed a marginally better rating. The same held true for the CPM assessments of CI performance.

29. The review used the supervision reports and supporting documentation relating to supervision such as the appraisal report (AR), loan agreement, letters of appointment to the CIs, management letters and back to office reports where available. The review team had to spend a disproportionate amount of time in compiling and finding much of the documentation needed from the IFAD archive system. While a system of filing exists, lack of compliance has led to gaps in availability of supervision reports. These reports are also not available on the IFAD Website or Intranet. The evaluation team noted that the definition of specific IFAD priority areas and the more recent IFAD/GC emphasis was not, or only partially, communicated to the CIs. As a result, there remain uncertainties as to the CIs' full accountability in these areas. A four-point rating system based on the PSR rating process²³ with the best performance rated as 1, with the lowest performance rated as 4.

Table 6: Distribution of Projects Used in Desk Review

Cooperating Institution	IFAD Region					Total		Total Projects Effective 1997-2000
	PA	PF	PI	PL	PN	Sample	Proportion	
UNOPS	3	5	8	2	3	21	27%	79
World Bank	2	2	2		1	7	30%	24
CAF				4		4	50%	8
AFESD					9	9*	100%	4
AfDB	1					1	100%	1
BOAD	3					3	33%	9
CDB				1		1	33%	3
IFAD Direct Supervision	3	3	1 [#]	2 [#]	2 [#]	11	73% [#]	15
Total (incl. other CIs)	12	10	11	9	15	57		143

Note: # These regions had directly supervised projects that had not been effective long enough to produce at least three Supervision Mission (SM) reports. * Five projects effective prior to 97

30. To harmonize the review process and standards used by various reviewers, the evaluation team developed a review framework to be used by all reviewers, including sets of questions to be addressed in rating the various quality elements. While a degree of reviewer bias is bound to remain, the team felt that the use of this common review framework has, to a great extent, minimized such biases.

31. **Supervision Inputs (Table 7).** These were defined as frequency and length of supervision mission, size and composition of mission and mission leader turnover. The evaluation found that:

²² At least three supervision reports had to be available for projects to be included. Of the 57 projects, few (six) became effective shortly before 1997 and had to be included for appropriate CI coverage (mostly AFESD).

²³ 1 – very satisfactory, 2 – satisfactory, 3 – barely satisfactory, 4 – poor.

- **Frequency of Supervision Missions.** On average, most CIs carry out one mission per year; the World Bank and IFAD has closer to two missions per year. During the in-between period communications have much improved with modern information technology.
- **Length of Supervision.** IFAD/Direct Supervision and the World Bank have the longest average length of Supervision Mission (SM) (18 days) and the Arab Fund for Economic and Social Development (AFESD) the shortest (five days). Review of individual mission reports indicates that for missions of less than ten days, the time spent in the field is very limited or non-existent. This comes about from the time needed at the start of the mission to conduct formalities and meet central level officials and the end of the mission to prepare the Aide Memoire. On this basis, on average, AFESD and CAF visits had inadequate time for field visits. Even with the longer UNOPS, IFAD and other World Bank missions, unless the SM and project staff were prepared to work and travel on weekends, there was still limited time for extensive field visits. The feedback from both CI staff and projects was that more time (extra CI days) needs to be allowed for field visits, particularly on multi region, multi component projects. On average there was little change in the time spent over the first four years when more inputs could have been expected.
- **Mission Leader Turnover.** SM leaders draw up the SM terms of reference and set the priority areas and standards in the field. CIs have had various levels of change in SM leadership with UNOPS having the highest turnover of supervision mission leadership per project. Regression of the project performance rating in the PSR on the average number of SM leaders reveals a negative correlation between the two variables. This indicates that the lack of continuity in leadership is reducing the effectiveness of supervision and project performance.
- **Size and Composition of SM Team.** The World Bank and IFAD Direct Supervision, on average, have the largest SMs (4.0 and 3.5 persons, respectively), followed by UNOPS (2.8). The average SM size of the other three CIs varied between 1.3 and 2.5 persons. This difference in quantitative inputs is accentuated by the higher number of SMs per year for World Bank and Direct Supervision. It would appear that the lower number of SM leaders and/or the larger SM team (further reinforced by two missions per year in several cases) led to better project results.
- On a regional basis, there are differences between the CIs with UNOPS in Kuala Lumpur having larger SM teams, as does the direct supervision in PA, PI and PF regions. UNOPS PL and PN and direct supervision in PL and PN use smaller teams. Regression of the average SM team size against the PSR rating showed a small positive relationship between the size of the SM team and the PSR rating.

Table 7: Inputs into Project Supervision: Desk Review

	UNOPS	World Bank	CAF	AFESD	BOAD	IFAD Direct Supervision
Length of supervision in country (days)	14	18	10	5	12	18
Number of SM leaders (per project)	2.3	1.5	1.0	1.7	1.7	1.6
SMs per SM leader (per project)	1.8	1.5	2.5	2.0	1.8	2.5
Average No. of persons on SM, excluding CPM)	2.8	4.0	1.3	2.5	2.0	3.5

32. **Minimum Supervision Requirements (MSRs)** – these can be regrouped into a set of tasks (Table 8, Appendix II). The performance of supervision was assessed against delivery of these tasks.

Table 8: Achievements of Minimum Supervision Requirements by CI: Desk Review¹

MINIMUM SUPERVISION REQUIREMENTS	UNOPS	World Bank	CAF	AFESD	BOAD	IFAD Direct Supervision	Total
Supervision Administration ²	3.2	3.0	3.0	2.8	4.0	3.1	3.0
Loan/Procurement Administration	2.0	2.2	2.3	2.1	1.7	1.6	2.0
AWPB Processes	2.5	2.7	2.8	2.5	2.0	2.2	2.5
Achieving Project Objectives	2.4	2.4	2.8	2.5	2.7	2.2	2.4
Core Supervision Function	2.3	2.4	2.6	2.5	2.1	2.1	2.3
Implementation Support	1.9	1.9	2.7	3.0	2.0	1.8	2.1
Human Dimensions	2.4	2.8	2.8	3.4	2.7	2.3	2.7
Average	2.4	2.5	2.7	3.0	2.7	2.3	
Project Rating (PSR)	2.2	2.2	1.8	2.1	2.0	2.0	

Notes: 1. CIs with only one project reviewed (AfDB and CDB) are not reported. 2. In the MSR, supervision administration includes organising the start-up workshop and determining the supervision programme. [ratings: 1 – very satisfactory, 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

33. The aggregate data shows that for the core functions, World Bank, UNOPS, AFESD, BOAD (rating of 2.5 or less) and direct supervision were assessed as providing comparable inputs to a satisfactory standard with CAF lagging. For implementation support, AFESD and CAF had the lowest performance. The poor ratings given for supervision administration reflect a lack of clear supervision plans for a project but also a lack of appropriate review material and information about the start-up workshop. Human dimensions/issues received overall lower ratings.

34. Supervision processes, standards and expected emphasis were generally poorly documented and described in ARs, loan documents and letters of appointments. Even when supervision requirements were specified, the subsequent supervision missions did not follow the proposed programmes particularly relating to the number of missions and emphasis on specific social issues. The Human dimensions mentioned in the MSRs were not further specified. Their specific requirements and indicators have not been clearly articulated by IFAD or communicated to the CIs.

35. **Addressing IFAD Specific Aspects.** These are the specific aspects that have, over time, distinguished IFAD's work and approach as a development assistance agency from most others. They include targeting the rural poor, their participation in implementation, gender sensitive implementation and reporting (mainstreaming), and participatory M&E. A previous limited scope study on the social aspects of project supervision, under the "Programme to Support Gender Mainstreaming in IFAD Projects and Programmes", was undertaken by IFAD's Technical Division and was very useful for this evaluation.²⁵ Many of the conclusions of the evaluation on these aspects are consistent with the findings of this earlier study. As a rule, these aspects and means to address them during supervision were not systematically communicated to the CI by IFAD. As these aspects have become an almost integral part of IFAD project design, the evaluation assessed the emphasis given to these aspects during the supervision mission. Table 9 summarizes the adequacy of addressing IFAD specific aspects by various CIs.

36. Overall, all CIs and IFAD performed lower in these areas compared to core supervision functions. Considerable variations were noted between CIs and between SMs with respect to coverage of IFAD specific aspects. Overall, the direct supervision and UNOPS supervised projects were rated as

²⁵ "Study on the Supervision of Social Aspects in IFAD Funded Projects. Programme to Support Gender Mainstreaming in IFAD Projects and Programmes." Office Memorandum from Ms Annina Lubbock, Technical Adviser on Gender and Household Food Security, PT, IFAD. 21 February 2003.

more effective in addressing IFAD specific aspects during supervision. AFESD, WB and CAF lagged behind in this area. The weakest aspect for all CIs was gender mainstreaming/gender sensitive implementation. Detailed analysis indicates that this variation between SMs, with respect to coverage of IFAD specific aspects, appears to be influenced by team composition, number of members in the mission and the sequence of missions. Inclusion of a social issues expert increased the number of missions with a good rating and made a difference to the manner in which IFAD specific aspects are covered during supervision.

Table 9: Adequacy of Addressing IFAD Specific Aspects in Supervision

Social Issues Addressed	UNOPS	WB	CAF	AFESD	BOAD	IFAD Dir. Sup.	All DR Projects
Target group participation	2.2	2.3	2.8	2.6	2.7	2.2	2.4
Targeting women	2.5	3.0	3.0	2.7	2.2	2.5	2.7
Targeting the poor	2.6	2.8	3.3	3.9	3.3	2.5	2.9
Gender mainstreaming	3.0	4.0	3.3	3.9	4.0	3.1	3.3
Participatory M&E	2.8	3.1	2.8	3.5	3.3	2.7	3.0
Average	2.6	3.0	3.0	3.3	3.1	2.6	2.9

[ratings: 1 – very satisfactory , 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

37. The number of members on a SM team was found to have a positive effect on the coverage of IFAD specific aspects during supervision. One or two member SMs missions typically focused on core supervision functions, but larger SMs devoted much more time to IFAD specific aspects. There were no cases where target group participation was not addressed at all in missions which had three or more than three members. Missions with one to two members were less likely to address the targeting of women compared with missions with three or more members.

38. The analysis of changing mission emphasis over project implementation showed that the first two supervision missions generally do not focus on IFAD specific aspects as well as do later missions. The first few missions are almost exclusively preoccupied with issues of project start-up, procurement and initial implementation issues. Furthermore, most supervision missions tend to focus on the specific aspects only for selected components where they had been specifically included in the design, not for all project orientation.

Table 10: Adequacy of Addressing IFAD Strategic Imperatives in Supervision

	UNOPS	WB	CAF	AFESD	BOAD	IFAD Dir. Sup.	All DR Projects
Promoting Innovation in implementation	3.0	3.1	3.3	3.0	3.3	2.8	3.1
Developing partnerships	2.7	2.5	3.0	3.0	2.0	2.3	2.8
Knowledge generation	2.9	2.9	3.8	3.0	2.0	2.8	2.9
Policy dialogue	3.1	2.0	3.5	3.5	2.8	2.5	3.0
Emphasis on impact achievement	2.5	2.9	2.8	3.2	3.3	2.6	2.7
Average	2.9	2.6	3.3	3.2	2.6	2.6	2.9

[ratings: 1 – very satisfactory , 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

39. **Addressing IFAD’s Strategic Imperatives.** These refer to aspects that have been explicitly emphasized by IFAD’s Strategic Framework, as well as the Action Plan of IFAD’s Fifth Replenishment. Some of these existed in a more implicit manner in earlier IFAD’s approach and thinking. Because of their relatively recent vintage, the attention given in supervision to IFAD’s recent strategic imperatives was assessed to verify potential and not as an accountability measure. The results are shown in Table 10. The mixed assessment of the CI inputs in this area reflects understandably, the lack of guidelines from IFAD’s side on these issues so far, and the CIs’ difficulties in incorporating these issues into their SM efforts and reports. The DR team also had difficulties in assessing the

indicators of achievement in this area. Impact achievement received more attention possibly because it is an older vintage dimension.

Box 1. Summary Assessment of Supervision Quality in the Desk Review

- **Weaknesses in Definition of MSR Criteria.** The standards applied for fiduciary issues were not defined in sufficient details in the MSR. The issue of project auditing is a case in point. The definitions of implementation support and Human Dimension in the MSR are equally vague and leave a lot to be desired relative to IFAD's long and intensive experience in rural poverty reduction.
- **Supervision Quality under MSR Criteria.** Within the MSR criteria, the DR found CI performance rather poor for project administration. This covers supervision planning and strategy for the whole project. For *core supervision functions*, CI performance varied only a little, though the supervision for the IFAD direct supervision portfolio and that of BOAD seemed to be best. For *implementation support* greater differences were found, with World Bank, IFAD direct supervision and UNOPS showing the best performance. All CIs, including IFAD direct supervision found the *human dimension* more difficult to handle though IFAD and UNOPS have a certain edge. In sum, the DR concludes that the MSR introduced in 1997 were generally met though at a lower level than had been anticipated.
- **IFAD Specific Aspects and Strategic Imperatives.** Supervision fared considerably lower in addressing IFAD aspects, UNOPS and IFAD direct supervision performed relatively better, presumably because of the closeness of these entities with the evolving IFAD priorities. (UNOPS not being an IFI with a specific mandate.) On the strategic imperative, no clear pattern could be discerned. The generally poor ratings seem largely the result of unclear definition and a lack of institutionalized and systematic communication/briefings by IFAD to the CIs and their supervision staff. WB seems to score better in linking supervision with policy dialogue whereas UNOPS was best in emphasis on impact achievement. The analysis also indicated that increasing the size of SM, especially by including a social specialist, improved the prospect for the IFAD specific aspects to be better addressed. The time SMs spent in the field was a positive factor in addressing the specific aspects.
- IFAD-specific aspects were understood differently among IFAD regions. For example participatory approaches were better appreciated and implemented in Asia and Latin America. Similarly, gender issues were not only understood differently in the different regions but mechanisms of support and guidance provided for them varied by CIs in the various regions.
- **Supervision in ARs and Loan Documents.** In general ARs (and implementation manuals, where available) poorly document and describe supervision processes and standards. Even when supervision emphasis was specifically raised, the subsequent supervision missions did not follow the proposed programmes particularly relating to the number of missions and technical specialists to include.
- **The Focus of ARs and the Loan Agreements in Outlining IFAD Specific Aspects** and its implementation mechanisms was found to be an important factor in the attention eventually attached to these aspects during supervision. However, detailed description in ARs is not sufficient to ensure that SMs will highlight these issues, as this depends on the SM team.
- **Impact of Supervision Quality on Project Performance.** Overall quantitative analysis shows only a weak impact of supervision quality (core as well as implementation support) on project performance. Regression of average project performance rating for each CI in each region against the assessed supervision rating showed only a weak positive correlation between supervision 'quality' and project performance.
- **The Cooperation Agreements and Letters of Appointment for the CIs** are vaguely worded, do not refer clearly to the MSRs nor IFAD's specific requirements in supervision, hence do not provide incentives for good supervision. This is particularly significant for UNOPS and the World Bank in supervising IFAD-initiated projects. Many have not been updated since the original cooperation agreements.

B. The Perspective from the Field

40. Project management and implementation staff interact with the supervision process on two levels: (i) hosting the visits of SM teams at least once a year, twice in some cases; and (ii) implementing and liaising with the CI on withdrawal applications and procurement issues. Two approaches have been taken to incorporating views from the field: (i) a questionnaire was sent to 112 ongoing IFAD supported projects²⁶ seeking the project managers' views on the quality of supervision, implementation of the MSRs, the incorporation of IFAD specific aspects into the supervision process and the reporting formats and processes. The response rate was 59%; and, (ii) spot check visits by the evaluation team to six projects (two each in Uganda, Pakistan and Bangladesh) which sought the views of government officials, project management and implementation staff on the above mentioned issues. The results are reported, subsequently, for the CIs for which more than three responses were received. These are UNOPS, the World Bank, CAF, as well as IFAD direct supervision projects.

41. **Overall Views from the Field.** Project managers' views on the supervision process indicate that, overall, the process is working quite well with high ratings given to reporting, meeting core supervision requirements and assisting to achieve project goals. While projects are generally satisfied with one main SM per year, strong desire was expressed to increase intensity of supervision in early implementation and to have better access to local level implementation support and expertise. Projects appreciated more frequent contact with CIs/IFAD to assist in resolving implementation issues and a higher proximity of those delivering implementation support. The overall project management assessment of supervision of 1.7 is higher than average and higher than the DR estimate. Project managers scored IFAD direct supervision best in terms of achieving the MSRs, as well as the IFAD-specific aspects.

Main Expectations of Project Management from Supervision. About three quarters of project management expectations from supervision is in the area of implementation support, not the core/mandatory aspect of supervision. The most frequent expectation relates to advice and guidance on project implementation followed by identification of implementation obstacles and helps addressing them, support in monitoring and evaluation of project progress and providing useful recommendations. Weak areas identified by the Project Manager (PM) survey and project field visits relate to: (i) balance of technical skills in the SM team; (ii) non inclusion of the project staff in establishing the Terms of Reference (TORs) for the SMs and in selecting appropriate²⁷ consultants; (iii) assistance in M&E; (iv) the amount of time spent in the project area, particularly in interacting with target groups; and (v) the benefit: cost of hosting the mission.

Table 11: Project Manager Assessment of Achieving MSR

	UNOPS	World Bank	CAF	IFAD Direct Supervision	All CIs in PMS
Number of projects	39	6	4	9	66
Supervision administration	1.8	1.3	2.0	1.4	1.7
Procurement/Loan administration	1.6	1.5	1.8	1.4	1.6
Activities relating to AWPB preparation and u	1.9	1.7	2.0	1.6	1.8
Achieving project objectives	1.6	1.3	1.8	1.2	1.6
Facilitating improved implementation	1.6	1.3	2.0	1.6	1.7
Human/Social dimensions	1.9	1.6	1.8	2.0	1.9
Project Manager Assessment of Supervision	1.7	1.6	1.8	1.4	1.7

[ratings: 1 – very satisfactory , 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

²⁶ Only projects that had become effective after the MTR had been set forth in 1997 were included in the sample.

²⁷ The projects raised issues of appropriateness of technical skills, use of local (in-country or regional) resources and personal attributes.

42. **Non-participatory Administration of Supervision.** The comments in the PM survey and discussions with project staff indicated that not only did a large number of projects not have the opportunity to contribute to the TORs of PMUs of the SM, but some projects are never copied the TORs of the SM. Some pointed out that the concerns of the beneficiaries were not taken into account properly, because the TORs were done without the input of the project. Several project managers expressed a strong dissatisfaction that the CI do not consult the projects when choosing consultants for the SM overall. Many complained that consultants do not have the right expertise and are not familiar with the local specificities of the project area. Some complained about the general nature of the expertise of consultants and argued for more specialists. Many also suggested including systematically more local professionals instead of using only international professionals to ensure good local knowledge and lower cost. They linked the use of local consultants to the need for long-term local capacity building and increased access to implementation support.

Table 12: Selected Indicators of Managers' Assessment of Supervision Process

	UNOPS	World Bank	CAF	IFAD Direct Supervision	All CIs in PMS
Number of projects responding	39	6	4	9	66
Balance of technical skills on SM	2.4	3.2	2.3	2.3	2.5
Project contribution to SM TOR	2.1	2.2	3.0	1.9	
Project inputs into selection of SM consultants	2.9	3.5	3.0	2.8	3.0
Core supervision functions	1.7	1.8	1.9	1.6	1.7
Interactions with target groups	1.9	1.8	1.8	1.9	1.9
Interaction with project management	1.4	1.5	1.5	1.3	
Support to M&E systems	2.1	1.3	2.8	2.0	2.2
Reporting	1.4	1.2	1.1	1.5	
Benefit: cost of hosting SM	1.6	1.5	1.5	1.3	1.6
Overall assessment of the processes	1.6	1.6	1.8	1.4	1.8

[ratings: 1 – very satisfactory , 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

Table 13: Project Manager Assessment of IFAD Specific Aspects¹

	UNOPS	World Bank	CAF	IFAD Direct Supervision	All CIs in PMS
Number of projects	39	6	4	9	66
Target group participation	2.0	2.6	2.3	1.7	2.0
Targeting women	1.8	1.7	1.3	1.3	1.8
Targeting the poor	1.5	1.6	1.8	1.3	1.6
Gender sensitive approach in implementation	1.9	1.9	1.8	1.7	1.9
Focus on achieving impact	1.7	1.2	2.3	1.4	1.8
Mean	1.7	1.8	1.9	1.5	1.8

[ratings: 1 – very satisfactory , 2 – satisfactory, 3 – barely satisfactory, 4 – poor.]

43. **Support for M&E.** The majority of project managers felt they did not receive enough support and advice for M&E and particularly the participatory approaches thereof. Many M&E systems were not working or had only recently been put in place. Some of the systems were said to be too complex to operate and others did not capture the right type of information. These comments were given by projects supervised by all the different CIs.

44. **Supervision Mission Frequency.** Although the ratings on the question on the appropriate number of supervision missions per year were satisfactory, many project managers feel that there should be flexibility in the number of SMs per year. An increase to two missions per year would better support larger and more complex projects. Missions must be planned well in advance (and not too close to each other) and supervision schedules should suit project needs. Most responses suggested that second missions should cater to specific project needs such as social or technical issues.

45. **Mission Composition.** Most managers felt that time spent by the SM in the field and the number of missions per year were the most important factors affecting the effectiveness of supervision. Project managers thought there should be between three and four members in the SM including one local representative who understood the local context and a social scientist. Having a gender specialist on the team was also given a high ranking. The expertise on the team should be guided by project components, specificity and needs.

46. **Loan Administration.** In general the loan and procurement administration seemed to be working smoothly, with only minor complaints regarding how long the withdrawal applications took to get through the system. Activities relating to the AWPB worked well in some cases but not in others.

47. **Supervision and IFAD Field Presence.** Alternate supervision modalities to ensure adequate supervision support including IFAD having some country presence to continuously monitor and support project implementation and more continuous link between the projects and knowledgeable local consultants to address timely specific project related issues were also suggested. Some CPMs have experimented with innovative approaches to enhance IFAD's presence in-country and to improve supervision quality. These have paid strong dividends as evident in project managers' response.

48. **Reporting.** Overall the project managers are satisfied with the supervision reports and saw them as useful. The recommendations were seen as the most useful part of the report in all regions. There was a lack of deadlines on the recommendations in some cases and several project managers stated that the recommendations were not specific enough, unrealistic or not suitable for the local conditions the project was operating in. The section on 'innovation and impact' in the reports was seen as weak across all the regions. Most project managers were happy with the format of the supervision report, but a few would like it shorter. Some project managers stated that they had never received the management letter or the supervision report. They had only received the Aide Memoire.

Box 2. Field Presence and Supervision Quality

In Uganda, the CPM has retained a retired senior ministry director to act as the IFAD Liaison officer, represent the CPM at senior level meetings and regularly participate in supervision missions. This model is one that potentially offers a cost effective way to strengthen field presence. Inclusion of the liaison officer in SMs provides several advantages: (i) it ensures the IFAD representative regularly visits the project sites and have an understanding of the project performance and key issues; (ii) ensures IFAD is represented on each mission so that issues identified can be dealt with quickly; and, (iii) contribute to the costs of maintaining the position as part of the costs of the position can be paid from the supervision budget (which would have been used for supervision consultants anyway).

49. **Duplication of Inputs between IFAD and Cooperating Institutions.** One project reported discrepancies between the CI and IFAD in the area of recommendations and their follow-up. The project suggested the need for better communications between the two. The processing of the withdrawal application (W/A) is another area where the projects felt that there is a duplication. Some projects stated that they are not sure who is responsible for doing what. Two project responses revealed obvious confusion over who is doing what. However, a good majority did not see this as a problem.

50. **IFAD-Specific Aspects.** Most project managers ranked the supervision of IFAD-specific aspects lower than other aspects such as loan procurement and administration and meeting project objectives. There was not much difference in the performance of World Bank and CAF, whereas UNOPS and IFAD scored the highest. The overall view was that SMs did not currently spend enough time in the field to cover IFAD specific aspects and that more time was required to interact with target groups. Project managers were asked to rate whether they would like to receive more or less supervision support in the different IFAD specific areas. Issues relating to achieving and assessing project impact were the highest priority areas for additional inputs across the IFAD regions followed by targeting activities to women and increasing target groups input into project activities. (Table 14)

Table 14: Priority Areas for Additional Implementation Support on IFAD Specific Aspects

	Priority*
Helping the project in assessing its emerging impact	5.3
Helping the project focus on achieving the planned project impact	4.0
Targeting project activities to women	3.0
Increasing target group inputs to M&E activities	2.5
Ensuring the project adopts a gender sensitive approach in implementation	1.5
Participation of beneficiaries in ongoing implementation of project activities	1.4
Participation of target groups in design of project activities	1.3

* Highest number is highest priority

Box 3. Summary of Findings from the Field

1. Overall, project managers are well satisfied with the supervision service they receive, while the overall assessment for main service providers was not significantly different and was above average for all four, IFAD direct supervision appears most appreciated because of:
 - the direct involvement of the CPM and thus the elimination of lack of clarity of the respective roles of IFAD and the CI
 - more effective consultations with government and decision making
 - a generally faster response to project queries
 - the larger teams and more frequent supervision missions used for many supervision missions under IFAD direct supervision which appear to have given more/better services to the projects concerned
2. There remained some concerns by project managers in specific areas of supervision: they expressed the need for:
 - more involvement in the preparation SM TORs and the selection of specialists²⁸
 - inclusion of more appropriate skill mix on the missions particularly to cover IFAD's specific aspects
 - better, more frequent access to implementation support sources
 - more reliance on in-country or regional resources in providing implementation support and invest in their capacity enhancement
 - greater support in developing their M&E systems (here the World Bank appears to provide markedly better services than the other supervising entities)
 - SMs to devote more time for interchanges with target groups. Overall, project managers seem to feel that supervision is a positive experience and helps them in project implementation
 - flexibility in supervision frequency as per project needs
 - two supervision missions per year particularly in early project implementation
3. In terms of achieving MSR, project managers felt that supervision was satisfactory. Variations in ratings between CIs were not significantly large. The perception of project managers with regard to the supervision of IFAD specific aspects is that SMs on the whole address these aspects satisfactorily, but participation by the target group and gender sensitive implementation are the least satisfactory. Evaluation field visits, in particular, indicate that the expectations of project management in the IFAD-specific areas in general are driven by a realism with which they have to address these subject matters every day.
4. The field visits also suggested that the role of the field partners (governments and implementing agencies) in project supervision should be outlined more specifically in the ARs and other documentation. In particular project managers felt that SMs could be used for helping to resolve pending problems with higher level officials. IFAD's advantage in this area was the clearest.
5. Other field observations include: (i) most project managers expressed the desire for a second mission per year catering to specific project needs on social or technical issues; (ii) there was a clear sense that the length of SMs ought to be extended for a more thorough interchange, especially with the target population and project staff. Indeed, short (one week) missions were generally not sufficient to cover the necessary ground; (iii) project managers found full supervision reports more useful than aide-memoirs because of the analytical content of the former; and, (iv) some project managers still do not receive SM reports (only AMs).

²⁸ The projects raised issues of appropriateness of technical skills, use of local (in-country or regional) resources and personal attributes.

C. The View from Inside IFAD

51. The evaluation team used three approaches to assess the involvement and perception of IFAD managers and staff concerned with supervision. First, review the PSRs provided data on the CPMs' assessment of CI performance. Second, a formal survey of IFAD CPMs, regional directors and other staff handling supervision, to acquire quantitative insights into their assessment of the current supervision situation (65 questionnaires sent, 40 responses received). Third, interviews and discussion with a large number of staff to provide verification and qualitative feedback on IFAD staff views regarding current and future options for supervision.

Table 15: Evaluation Survey of IFAD Staff: Distribution of Responses

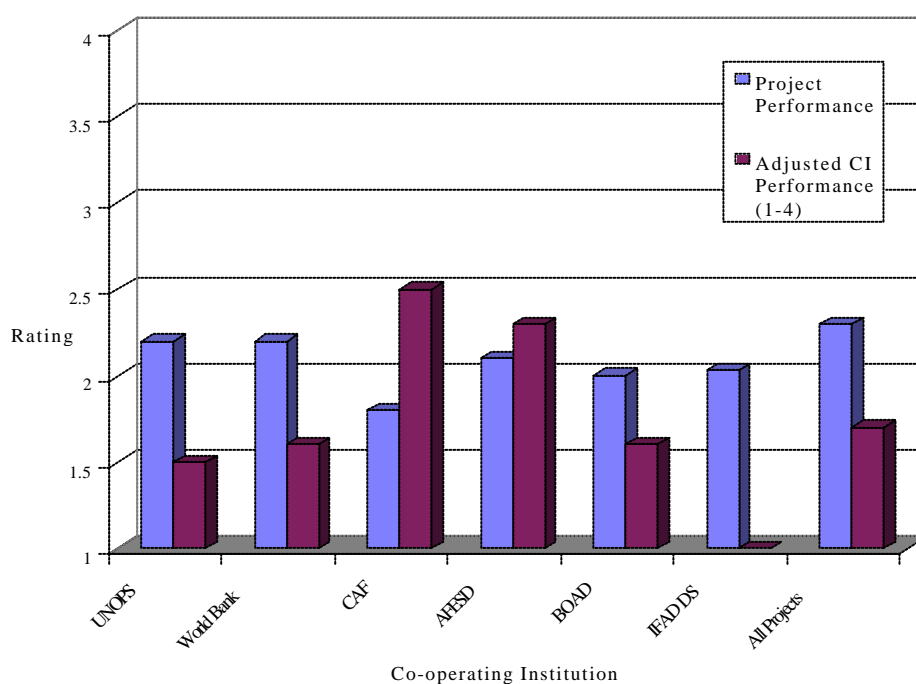
Division:	Number of responses	Response in percentage
PI	9	22.5%
PA	6	15.0%
PN	6	15.0%
PL	7	17.5%
PF	8	20%
FC/PDST	4	10%
TOTAL:	40*	100%

(*The 40 respondents were: 31 CPMs, 5 Directors, 2 FC Officers, 2 PMD front office)

D. CPM Assessment of CI Performance

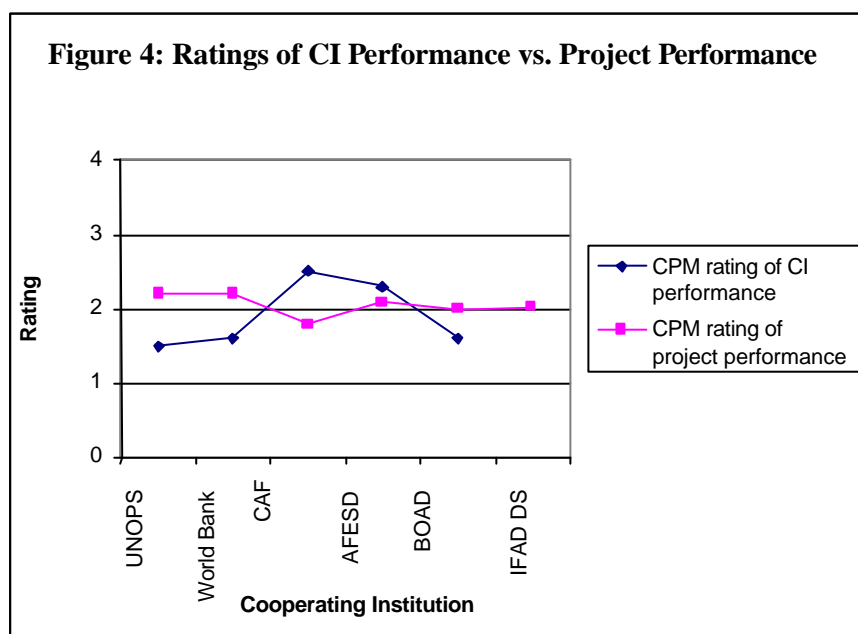
52. The PSRs, the building blocks for IFAD's periodic Project Portfolio Review (PPR) and eventually the yearly Progress Report on the Project Portfolio, summarize the state of a project under implementation and the related supervision activities. While the information base derives mainly from the supervision reporting by the CI concerned (or the CPM in the case of IFAD direct supervision), the CPM assesses CI reporting in the light of his/her knowledge of the project and its context. The CPM rates the CI's performance for each project. For IFAD, no direct supervision rating is provided. This project and CI performance information is reflected in Figure 3.

Figure 3. Project and CI Performance from PSR



53. Figure 3 illustrates that the CPMs rated the two CIs with the largest portfolios, UNOPS and the World Bank, as well as BOAD, most highly, followed by AFESD and CAF. These ratings suggest that in the view of the CPMs there was, on average, a reasonably satisfactory supervision performance for the main CIs, while for the weaker ones IFAD stepped in to overcome identified weaknesses. For AFESD, IFAD staff feels this IFI has ‘a very clear cut and cost efficient model’ of supervision since AFESD concentrates on loan and procurement administration and IFAD provides the implementation support. Weaknesses pertaining to AFESD’s handling of IFAD’s specific aspects can be overcome by direct support from IFAD for the projects. IFAD staff noted that AFESD brings significant co-financing funds for agricultural infrastructure (an area IFAD is typically not involved in) thus providing a strong incentive for IFAD to work on other aspects of rural and community development. Overall, as clearly illustrated in figure 4 is no apparent correlation between CI performance and project performance, due inter alia to the fact that project performance is influenced by many other factors in addition to supervision.

54. Regarding CAF, a major supervisor and co-financier of projects in IFAD’s Latin American and Caribbean Region (PL), the regional division indicated that it is putting additional efforts into reorienting and supporting CAF supervision while seeking co-financing opportunities, with a review planned for mid 2004. The regional TAG funded programmes in Latin America also provide additional resources for implementation support through capacity building of local and regional institutions to provide substantial input into the supervision process.



E. Views of IFAD staff on Present Supervision Arrangements

55. **Involvement with CI Supervised Projects.** All CPMs view supervision as a process to provide feedback on whether a project is in line with its objectives, to recommend corrective actions and to ensure adherence to the fiduciary aspects. However, overall, there remain significant ambiguities among IFAD CPMs about their involvement in CI supervised projects. Several CPMs highlighted the “grey” areas, which exist in the responsibilities of the CIs and the CPMs. Just as some CI staff complained about CPMs not taking adequate account of their work, CPMs reported that finding additional implementation support funds is not only time consuming, but also sensitive, as the CIs occasionally regard it as interfering with their job. Several experienced staff members observed that two (full) SMs per year gave a much better result as loan/procurement administration issues could be dealt with much more quickly (and also on-the-job training was enhanced). This was particularly advantageous during the first two to three years of a project (a similar concept had been suggested by several PMUs).

56. **Minimum Supervision Requirements.** CPMs recognize that CIs on the whole adequately address the MSR. However, a high majority of staff (75%) do not find the MSR particularly useful and attest to their inadequacy regarding IFAD specific aspects. A number of CPMs stressed that if IFAD does not follow-up and work together as a team with the CIs, and any written requirements, such as MSRs, are useless. The comments also indicate that CPMs were not completely clear over the exact content of the MSRs. Indeed they indicated the need for their revision to better reflect IFAD’s current strategic objectives. Staff of the Controller’s Office, but not CPMs, saw monitoring of audits and a close management of follow-up as a weakness in the current supervision processes.

57. IFAD’s Controller’s Office pointed out an institutional concern for IFAD: the unsystematic attention given to the handling of audits. Because of other work pressure there is no in-house IFAD system to track the timing and processing of the audit reports required under the loan agreements. There is also a weakness in the main text and executive summaries of SM reports which usually do not highlight issue related to non-compliance with audit requirements nor with other loan covenants. This is an issue where additional investments are required.

58. **Current Supervision Modalities.** The results from the questionnaire strongly suggest that the current supervision modality is not satisfactory for IFAD staff (Table 16). A good majority (71%) believe that IFAD should not continue with the modality currently used. Many argued that IFAD needs to develop innovative modalities based on building local capacities for implementation support. CPMs, in particular, pointed out that IFAD has become too dependant on one cooperating institution (UNOPS). IFAD should promote more competition amongst the CIs to enhance the quality of service. Some suggested that there is a need to do an assessment of the CIs capacities and that CI should be appointed on basis of clearly defined Terms of Reference and after a competitive bidding process. CPMs stressed that the current appointment of CIs is driven by budgetary reasons. This has led to no options for another choice, leading to a monopoly situation. A large majority would like to see the projects supervised by UNOPS decreased (71%).

59. **Direct Supervision.** Two thirds (65%) of IFAD staff believe that direct supervision is the preferred option. The same figure for the group of CPMs that currently directly supervise the 15 pilot projects was as high as 80%. Overall, CPMs are professionally satisfied and stimulated by direct supervision. CPMs believe that CPMs should conduct the supervision.

Table 16: IFAD Staff Views on Supervision Modalities

Option	Most preferred (3 or 4)
1. Continue with current supervision modality	29%
2. Decrease the share of projects supervised by IFIs	53%
3. Decrease the share of projects supervised by UNOPS	71%
4 (a) Direct supervision by IFAD CPM for all projects – all CPMs	65%
4 (b) Direct supervision by IFAD CPM for all projects – only CPMs currently conducting direct supervision	80%
5. Direct supervision through creation of a supervision unit within IFAD – all CPMs	35%
6. Direct supervision through the creation of a supervision unit within IFAD, only CPM currently conducting direct supervision	45%

60. **Relations with CIs.** A large majority of IFAD staff (Table 17) believes that: (i) CI responsibilities should be more clearly defined in legal documents; (ii) a more specific and detailed letter of appointment tailored to each project is needed; (iii) clear performance indicators for CIs ought to be developed and the CIs held accountable to them; (iv) IFAD should develop and provide detailed guidelines for supervision of IFAD specific requirements and should enhance the capacity of CIs through training in IFAD specific requirements; and (v) the CIs need guidance in establishing a better system to monitor and assess project impact through the supervision process.

61. **Supervision Quality Assurance.** The feedback highlighted some variations between the standards that the CPMs wanted to impose on the CIs and those standards that they needed for undertaking direct supervision. While 77% of CPMs believed that tighter guidance and standards were needed for the CIs, a lower proportion of CPMs (58%) thought that CPMs needed more clearly defined responsibilities for direct supervision and only 23 % thought that a senior IFAD staff member should be dedicated to overseeing supervision alongside the regional divisions (Table 17). However, strong interest (82%) was expressed in strengthening internal portfolio monitoring mechanisms to improve supervision quality.

Box 4: CPMs’ Views on UNOPS and the World Bank as CIs

- In both cases judgement depends on the type of relation and extent of cooperation between the two staff concerned: CPM in IFAD, PMO in UNOPS, or Task Team Leader (TTL) in World Bank.
- Regarding *UNOPS*, IFAD staff placed a high value on the relations with this CI. They saw it as the most responsive to IFAD guidance, reflecting UNOPS unique situation among CIs as solely a service provider. Nevertheless, the majority see as undesirable the increasing dependency on UNOPS and its quasi monopoly situation in supervising IFAD initiated projects.
- The major concern they have with UNOPS relates to the financial and human resource pressure it is under. As a result, quite a few expressed concern about this CI’s long-term sustainability.
- Regarding the World Bank, IFAD staff sensed that there was little room for influencing its supervision except if TTL takes extra interest in an IFAD project component and, in particular, its social aspects.
- IFAD staff felt that World Bank supervision for IFAD initiated projects *without* Bank co-financing, was more expensive compared to UNOPS without adding significant value to implementation.

62. **CPMs’ Views on Specific Supervision-Related Issues.** More specific findings emerged from the feedback from IFAD staff, some related to the role of ARs (and Project Implementation Manuals - PIMs), other to CIs’ communications with borrowers, and to more specialized but still important areas:

- ARs and PIMs needed to address issues essential for good supervision (such as IFAD specific issues) more explicitly in order to help CIs carry out their task;
- CPMs generally viewed the *aide-memoire* as much more important than the *SM report*: it is ‘*what everybody cares about – the Government, the PMU*’. Nevertheless a high standard for the SM report remains important so that it will be considered seriously by senior government officials;
- The views of CPMs on the *management letter* varied from “a key communication, entry point for discussions with government” to “a formality”. About 50% of the interviewed staff indicated the management letter would have a greater impact if IFAD signed and followed up on it²⁹;
- CPMs believe IFAD specific aspects are generally not well covered in supervision because these issues are not properly covered in the legal agreements between IFAD and the borrowing governments, and between IFAD and the CIs. More explicit cooperation agreements with the CIs alone are unlikely to change this situation; IFAD priorities need to be well covered in the loan documents (and ARs). A strong majority of the survey respondents indicated that additional resources should be mobilized for IFAD specific issues during supervision;
- *Monitoring and Evaluation* (M&E) is one area where weaknesses in design hindered project implementation. In country/regional capacity for M&E was seen as being better in PL which has

²⁹ The CIs did not express strong views about the management letter except when IFAD significantly changed the draft letter that the CI had to sign.

already put more TAG resources into M&E. CPMs emphasized the importance to convince partners that M&E was a project management tool and to secure their commitment in this regard.

- Finally, there was limited interest in drawing on the experience from CIs when it comes to future project design (appraisal) and loan negotiations (just about half of CPMs are in favour). This raises the question of the learning process that should run through the project cycle.
- CPMs were strongly in favour of enhancing their supervision capacity through training in loan administration, procurement, negotiations, and evaluation of impact.

Box 5: CPMs' Comments on Supervision Modalities

- Direct supervision has substantial benefits for an organization that considers itself an innovator and a knowledge laboratory. Without direct supervision, such claims are baseless and IFAD will only be a source of funds.
- Increasing direct supervision will also improve project performance and lead to empowerment of project implementing agents.
- Proxies such as UNOPS or IFIs will need to feel the same sense of accountability and ownership (as IFAD) that are necessary to undertake courageous or radical innovations and improvements in project performance.
- There should be an increase of directly supervision projects, but with a substantial staff increase.
- IFAD should have multidisciplinary Country Team (administration/ procurement/technical) lead by CPM and under direct accountability of the CPM.
- The main challenge is to redefine the function of supervision as implementation support. And, hence, to make implementation support as effective as possible in view of the evolving nature of our projects, which are now process-oriented rather than input-output as in the past
- First option would be the creation of a supervision unit within IFAD. Second best option would be the combined solution: IFAD CPMs to fully participate in the two first years of supervision mission to make sure that the projects are on track and that design provisions are fully internalized and implemented.
- New possibilities of supervision should be explored, such as local consultants, private firms, and other mechanisms.
- The Supervision exercise should be readapted / customized according to the nature of our projects. Increasingly these are encompassing (i) partnership and alliance building processes (to cope with empowerment and provide for the political dimension); (ii) support to institutional systems-building to ensure for effectiveness and sustainability; (iii) decentralized planning and budgeting; (iv) flexible design; and (v) promotion of innovation
- The supervision exercise should be: revisited to reflect the perspective of the various partners, especially the grassroots perspective; stronger on institutional aspects; and provide for smooth transition between design-implementation and learning.
- Provide more time and resources for CPMs to take on a more active role and regular in-country presence.
- We should have many CIs to promote competition and avoid the dependency we have on UNOPS.
- There is a real need for IFAD to clearly define its expectations of the terms "supervision" and "loan administration". There needs to be an institutional agreement on what is meant by supervision and how to assess of the supervisors' capacity before selecting one.
- There is a need to objectively assess performance of the supervisors and to change them as appropriate. At the moment appointment driven budgetary reasons with no option for other choice has led to a monopoly operating badly.
- To enable the design of good projects and their effective implementation, as well as the attainment of impact, IFAD must take a hard look at its present arrangements. The first requirement is the fund allocation for core project activities, from design to implementation, with the aim to affect significant increases and the second is to revise the level of payment to CIs.

Table 17: IFAD Staff Views on Guidelines and Supervision Quality Assurance

Question	Most preferred (3 or 4)	Not preferred (1 or 2)
Guiding the CIs in establishing a better system to monitor project impact systematically through the supervision process	68%	32%
Improving supervision quality control in IFAD through better portfolio monitoring mechanisms	82%	18%
IFAD to have a senior staff fully dedicated to actively oversee Supervision along side the regional divisions	23%	79%
IFAD to provide appropriate guidelines for CIs and enhance their capacity with respect to the supervision of IFAD specific requirements	77%	23%
IFAD to provide better guidelines to CPMs for direct project supervision	58%	42%
All supervisors (CIs and IFAD) to keep accurate records of supervision costs including staff time	49%	51%

Table 18: CPM/IFAD Staff Views on Clarifying Responsibilities

Question	Most preferred (3 or 4)	Not preferred (1 or 2)
Specifying more clearly CI supervision responsibilities vis-à-vis IFAD projects in legal documents (1)	72%	28%
Defining more clearly CPMs supervision responsibilities in IFAD directly supervised projects (2)	54%	46%
Defining clearly CPMs follow-up responsibilities in CI supervised projects (3)	67%	33%
Establish clearer norms for expected performance of CIs in supervision and holding CIs accountable to the norms set (4)	77%	23%
Establish a more business like working relation with the CIs (8)	70%	30%
IFAD to sign the management letter to the government and be responsible for follow-up with government as needed (13)	49%	51%
CI to sign the management letter to the government and be responsible for follow-up with government as needed (14)	45%	55%

F. View of IFAD Staff Regarding Future Supervision Modalities

63. About one third of the staff rated direct supervision as their least preferred option. This reflects different views as to what are, and should be, the CPM's priority work areas and their involvement in the supervision work of the CIs. As mentioned earlier, CPMs not undertaking direct supervision were less enthusiastic about direct supervision than those who are currently doing it, suggesting that the experience with direct supervision for the responsible CPM – and through him/her to IFAD - has had significant rewards. The CPMs undertaking direct supervision were very conscious of the additional workload arising from direct supervision. They are less aware of the real level of resources used for direct supervision activities so far.

64. Some CPMs emphasized that IFAD still needs to shift its culture from design to implementation and impact achievement. To achieve this shift resources allocated to implementation phase should increase and changes should also be effected in the supervision modalities that reflect the new trends in the way IFAD undertakes its business. Reference was made to the shift in IFAD projects from

input/output orientation to process orientation and community-driven approaches, the emphasis on building local level institutions, policy dialogue, enhancing local level partnership and empowering the rural poor. The quality of implementation support, embodied in supervision, should be consistent with this new orientation.

65. Supervision by external partners (CIs) following the IFIs model, within the above mentioned framework, may not be the most effective modality to enhance project performance. Supervision (or rather the implementation support process) should aim at empowering the poor and their organizations and enhance impact achievement through an effective partnership at field level. Reference was made to the recommendation of the OE/PD Working Group on Impact Achievement through the Project Cycle that stressed the importance of such partnership as, inter alia, a vehicle for appropriate implementation support and development of local capacity.

66. Some CPMs suggested that IFAD should be more open to *other more innovative options for supervision*, particularly in view of the changing nature of IFAD projects. These include strong reliance on national partners, more emphasis on implementation support and linking supervision modalities with local capacity building and adjusting supervision approaches to suit community based demand driven projects. Other suggestions included reference to a possible separation of the core supervision components (or at least the fiduciary elements) from project implementation assistance. The latter could be provided by regional (or in very large countries: local) technical groups.

G. Direct Supervision

67. *It should be re-emphasized that the findings regarding the present quality of direct supervision can only be of a very preliminary and tentative nature.* Firstly, as of December 2002, directly supervised projects had disbursed only 27% of total loans, most projects have not reached their half way point in terms of *disbursements* (see paragraph 10). Secondly, the “analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs” and “the monitoring system to evaluate the test projects” requested under the *Five-Year Plan of Action* (see Chapter VI. below) still need to be fully implemented.

68. Notwithstanding the above, the evaluation provides some preliminary findings that are of interest both for the present assessment and in preparation of the pilot programme evaluation in the near future. The *main* findings can be summarized as follows:

- The DR data, which reflect solely the assessment by the evaluation team on the basis of available documents, suggest that IFAD direct supervision so far seems to have performed at least on par with the major CIs, and better in some aspects. The learning process and dissemination of knowledge from direct supervision however has not been at all evident in all three principal MSR dimensions: (i) core supervision; (ii) implementation support; and, (iii) social dimensions. Here again a note of caution is appropriate with the direct supervision portfolio being at the initial phase of implementation. This assessment also has to be complemented by the emerging indicators on cost.
- The feedback from the field indicates a tendency for preference for IFAD direct supervision: project managers appreciate the direct involvement of the CPM and thereby the elimination of lack of clarity of the respective roles of IFAD and the CI, particularly when it comes to consultations with the government. They feel they get a faster response and they like the larger teams and/or increased frequency of SMs giving more/better services than CIs. Clarity of design intentions and continuity over the design implementation spectrum is another positive dimension.
- The larger direct supervision team size and greater SM frequency attest to the CPMs’ interest in this new function. The effectiveness of supervision seems to have benefited measurably though not necessarily its efficiency. Certainly this raises questions on the sustainability of the direct supervision programme, as presently pursued, should it be expanded.

- Direct supervision may increase the CPM's – and IFAD's – profile and presence in a country and help in getting IFAD's message out more consistently and forcefully on its priority areas.
- The experience with relying on UNOPS for some of the supervision fiduciary services under the direct supervision pilot appears as an interesting way for “outsourcing” part of the overall supervision function under IFAD direct supervision, though UNOPS itself does not seem keen on this modality.

69. Other less positive *factors* need recording:

- The balance of professional skills, competencies and attributes needed for a highly competent manager of supervision are not necessarily the same as those of a CPM who performs other functions.
- Related to the point just made, a concern that has been expressed mainly by Regional directors is that the time and effort required for supervision limits the ability of CPMs to focus on other strategic and operational priorities, particularly those required under the new strategic imperatives for IFAD (enhancement of partnership, national and international policy dialogue, advocacy work, promoting the scaling up of innovative approaches, etc.).
- Some IFAD and project staff recognize the benefits of having the presence of a third party, the CI, to provide an independent perspective on the implementation process.
- Some CPMs pointed out that the institutional obstacles involved in mobilising the resources needed for direct supervision make it a highly time consuming and therefore an unattractive activity for some CPMs. The incentive framework for direct supervision is not yet self evident within IFAD and CPMs undertaking direct supervision are not getting the support they need.
- Finally, the advantage expected from the pilot programme of direct supervision, namely enhancing learning from implementation for more effective projects and programme design, is not evident so far. Opportunities for an exchange of supervision experience and reinforcement of supervision skills among CPMs and their teams still wait to be developed systematically.

IV. EFFICIENCY OF SUPERVISION

A. Approach

70. The assessment of efficiency starts with an analysis of supervision costs of various CIs and of direct supervision, followed by reflections on efficiency of supervision under the modalities used by IFAD. Costs are based on data developed by OA for the project supervision audit. Data were extracted from the IFAD accounting system (Peoplesoft), and supplemented by estimates of inputs from CPMs and other IFAD staff related to the supervision process. On this basis, supervision costs were established for 198 ongoing projects in 2001 and for 204 ongoing projects in 2002³¹. These were then consolidated into an analysis by CI and region. It was not possible for the evaluation to include more years in the analysis of costs. Relying on only two years is a limitation of this analysis.

³¹ OA excluded projects from the sample that became effective after June the same year and projects that were closing down the same year.

B. Costs

71. Cost of supervision of IFAD-supported projects include: (i) fees paid directly to CIs; (ii) the IFAD staff costs incurred to oversee, support and implement supervision by CIs and by IFAD; and (iii) technical assistance implementation support to supervision through grant funds³². In addition, the costs for IFAD staff time³³, in terms of salary, pension etc. have been imputed using estimated staff inputs from CPMs and other staff.³⁴ Average supervision costs for each CI and for IFAD direct supervision are presented in the Table 19 below. Costs for the projects supervised by the World Bank have been divided into two groups: projects co-financed with, and supervised by, the World Bank and projects supervised by the World Bank without its co-financing.

Table 19. Average Cost for Supervision per Cooperating Institution and per Project for 2001 and 2002

CI	CI fees ³⁵	Implementation Support ³⁶	Total	Staff costs ³⁷	Total incl. staff costs
WB (e,f)	51 056	11 344	62 400	11 854	74 254
UNOPS	43 121	13 090	56 211	12 471	68 682
CAF	32 863	11 019	43 882	13 542	57 424
AfDB	35 967	7 274	43 241	12 691	55 932
BOAD	24 035	13 814	37 848	12 017	49 865
AFESD	21 950	10 537	32 487	8 969	41 456
BCIE	7 584	13 688	21 272	13 483	34 754
WB (c)	3 519	14 537	18 056	11 829	29 886
CDB	7 642	6 300	13 942	13 522	27 464
AsDB (f)	10 000	2 817	12 817	11 673	24 490
AsDB (c)	0	10 592	10 592	12 282	22 874
Overall Average	33 705	12 562	46 267	12 250	58 517
Direct Supervision	12 206	37 129	49 335	40 537	89 873

All figures are taken from OA Cost Analysis for the Project Supervision Audit (and People Soft)

*AsDB had a total of 10 projects in 2001 and 2002, however for only one of them CI fees were charge (10 000 USD) the remaining 9 were co-financed.

³² Research grants, co-financing, NGO/ECP, Environmental Assessment and BSF grants are not included. Supplementary funds and TAGs are included to the extent that they are attributed to implementation support of specific ongoing project.

³³ The cost was based on the annual staff cost used for budget preparation according to the staff member's grade level.

³⁴ The staff requested to provide the time estimate (% of their time) were Country Portfolio Managers, Project Assistants, Loan Officers, Loan Assistants and Technical Advisors.

³⁵ Cooperating Institution fees (for loans) and Loan administration fees (sub. classification accounts: 2600-2611 for 2002 and 8300-8312 for 2001).

³⁶ Implementation support includes: IFAD follow-up, IFAD direct supervision, supervision audit, staff travel for supervision, staff travel for direct Supervision, accelerated project performance and other project implementation (APPI-TAGs), technical assistance programme (TAP) and the special operations facility grants (SOF). The sub. classification accounts were: the relevant ones in the 8300 series and 8700 series for 2001 and 2620, 2630, 2660, 2710, 2722 and roll ups for 2002).

³⁷ The staff costs are taken from OAs staff survey (overall response rate was 43%, CPM response rate was: 52%).

Figure 5: Average cost for Supervision per Cooperating Institution and per Project for 2001 and 2002

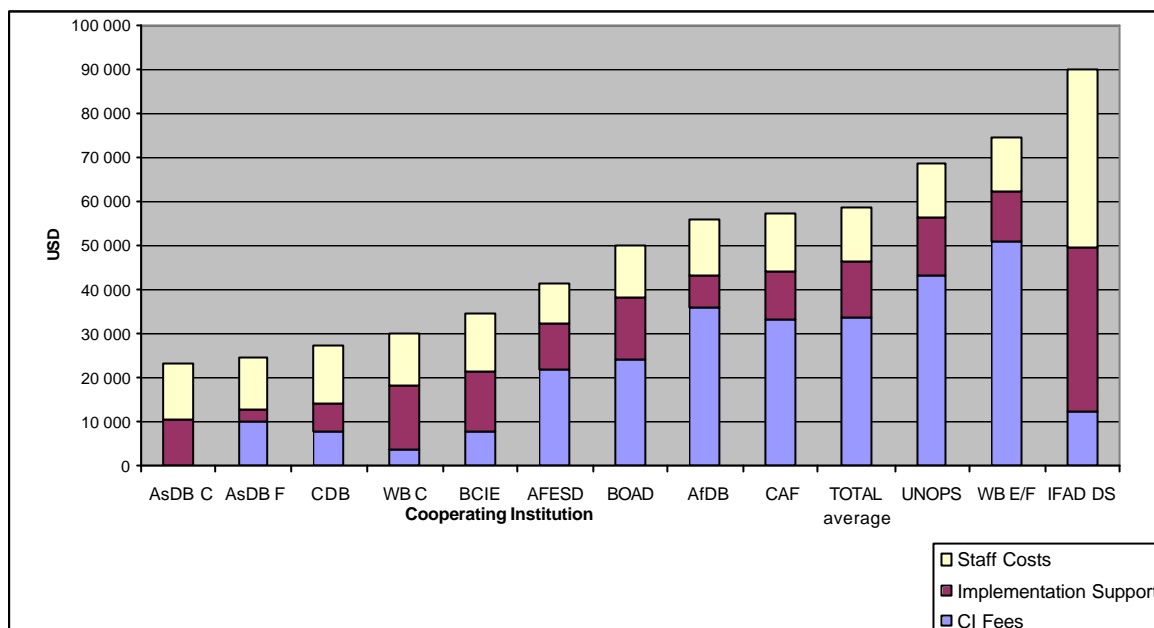


Table 20: Average Cost for Supervision per Cooperating Institution, Per Project, in Percentages (2001 and 2002)

Breakdown of total cost exclusive of staff cost				Breakdown of total cost inclusive of staff costs			
Cooperating Institution	CI Fees	Implementation Support	Total incl. staff cost	Staff Cost	CI Fees	Implementation Support	Total incl. staff cost
WB (e,f)	82%	18%	100%	16%	69%	15%	100%
UNOPS	77%	23%	100%	18%	63%	19%	100%
CAF	75%	25%	100%	24%	57%	19%	100%
AfDB	83%	17%	100%	23%	64%	13%	100%
BOAD	64%	36%	100%	24%	48%	28%	100%
AFESD	68%	32%	100%	22%	53%	25%	100%
BCIE	36%	64%	100%	39%	22%	39%	100%
WB (c)	19%	81%	100%	40%	12%	49%	100%
CDB	55%	45%	100%	49%	28%	23%	100%
AsDB (f)	78%	22%	100%	48%	41%	12%	100%
AsDB (c)	0%	100%	100%	54%	0%	46%	100%
Overall Average	73%	27%	100%	21%	58%	21%	100%
Direct Supervision IFAD	25%	75%		45%	14%	41%	

72. The main highlights of supervision costs shown in Table 19 and Figure 5 are:

- The most costly CI among our main supervision partners (for IFAD initiated projects) is the World Bank followed by UNOPS, CAF, BOAD and AFESD.
- No systematic pattern is emerging with respect to implementation support by IFAD. Implementation support cost per project for IFAD initiated projects does not seem to vary inversely with CI fees. Nor does it vary inversely with project performance rating in PSR. It is highest in absolute terms for the World Bank, UNOPS and BOAD and lowest for AFESD. For World Bank-initiated projects, implementation support is the highest, reflecting the need to focus on IFAD priorities.
- IFAD staff cost in CIs supervision process does not show significant variations per project around the average (+10%), except for AFESD (27% lower than the average).
- The supervision fees paid to the CIs are about 58% of total costs for CI-supervised projects.
- The average costs (2001-2002) of IFAD direct supervision (89 873) is one and half times the average for the CIs.
- The staff costs for direct supervision projects, understandably, are more than three times higher than for the CI-supervised projects. It must be noted that the figure for staff costs does not include IFAD's overhead costs (which is included in the CI charges). Adding the overhead for IFAD would make the gap in supervision even higher between CI and direct supervision projects.

73. Table 21 illustrates supervision costs by IFAD Region. The lower costs in PN for both year 2001 and 2002 may be due to the frequency of projects supervised by (low-cost) AFESD and the closeness to visits from Rome. PL is the second lowest possibly due to heavier reliance on local consultants facilitated by this division's institutional support for capacity building for M&E and implementation support in the LAC region.

Table 21. Supervision Costs by IFAD Region Average 2001 and 2002

Region	CI fees	Implementation support	Total	Staff costs	Total incl. staff costs
PA	31 633	17 837	49 470	14 037	63 507
PF	38 247	14 186	52 433	16 825	69 258
PI	34 177	13 382	47 560	14 102	61 661
PL	28 928	11 852	40 779	15 801	56 580
PN	27 006	14 522	41 528	10 581	52 110
Total	32 154	14 334	46 489	14 291	60 779

*All figures are taken from OA Cost Analysis for the Project Supervision Audit (and People Soft)

74. The use of two years of data for establishing the cost of direct supervision during the early stages of the pilot programme has its limitations. Obviously, the programme is still developing its learning curve. Careful cost analysis facilitated by appropriate cost recording would help in understanding the various elements of the cost and develop means for rationalization.

C. Efficiency of Supervision Modalities Used by IFAD

75. The forgoing information on cost and on the supervision performance (Chapter III) suggests that, on the whole, the best CI performers (UNOPS and World Bank) are those with the higher cost. While this is an approximate indicator that IFAD is getting proportional benefits from its resource allocation to supervision, no conclusive statements can be made as this would require, inter alia, analysis over a longer time horizon. Difficulties in data availability and compilation prevented the undertaking of such exercise. UNOPS, compared to the World Bank in particular, provides a

satisfactory standard of full supervision services considering the lower level of fees that IFAD makes available for this CI. The extra costs of World Bank supervision on IFAD initiated projects are only partially offset by improved mandatory supervision services. The higher costs (though less than what has been requested by the Bank in the last round of negotiations) reflect higher unit costs for staff and the Bank's greater emphasis on governance/fiduciary issues. On Bank initiated projects (for which IFAD does not have to reimburse CI fees), supervision by the World Bank was generally found not to address the IFAD priority areas well, due to lack of resources. To the extent that CPMs overseeing these projects can mobilize additional funds from other sources to ensure the *IFAD specific aspects* are covered, they seem to obtain a satisfactory level of supervision. The decision taken by IFAD in 1998 to transfer the majority of IFAD initiated projects to other CIs is therefore justified.

76. AFESD performs well on core supervision functions but not so well on the supervision of IFAD specific aspects and project implementation support. It is surprising to note that the implementation support allocated per project to this CI is among the lowest. CAF's supervision performance was lower than other major CIs though the direct feedback from few CPMs on CAF supervision was quite favourable (PL argues that it is investing in the capacity building of this CI). On the other hand, the annual CI fees for CAF were significantly higher than AFESD. The outcomes from CAF supervision needs further attention. PL is currently addressing these issues.³⁸ BOAD appears overall a promising regional CI, but like CAF will need further attention from IFAD. It is difficult to conclude anything specific about the relative efficiency of direct supervision as its performance results are tentative.

77. Regarding implementation support, it is remarkable how active and imaginative CPMs have been in obtaining funds from various sources, either the project's own funds, technical assistance, supplementary trust funds and others. The use of implementation support funds represents 27% of average supervision cost. However, the use of implementation support does not so far appear to follow rigorous criteria relating to project performance, CI performance or the need to emphasize well defined priorities and strategic imperative.

V. THE PERSPECTIVE OF THE COOPERATING INSTITUTIONS

78. This section on the perspective of the CIs is based on consultations held with the two principal agencies: UNOPS and the World Bank.

A. UNOPS

79. **Background.** UNOPS is IFAD's main CI. It (and its predecessor – UNDP OPS) started to supervise projects in the late 1980s when IFAD began to initiate more projects and required more than IFI/CI could offer. UNOPS and IFAD are organizations of similar size when measured against staff numbers and operating budget.³⁹ The IFAD supervision work, however, is only a small part of UNOPS' overall work programme which consists mainly of large scale procurement activities and project implementation for the United Nations Development Programme (UNDP) and other UN agencies. Nevertheless, IFAD's work, according to UNOPS, generates approximately 16% of net management fees⁴⁰ and is the second largest source of fee income. This is in addition to the intangible assets for UNOPS related to supervision of IFAD type projects and makes IFAD an important client for UNOPS.

³⁸In the first half of 2003, PL has been changing its supervision arrangements with CAF to strengthen both the supervision functions and the opportunities for co-financing projects. This culminated in a workshop in Caracas, Venezuela where PL briefed the CAF staff on IFAD's supervision requirements.

³⁹ About 300 permanent staff and operating budget of USD 40 million.

⁴⁰This is based on the value of management and supervision services provided to UNOPS clients excluding the value of goods and services procured for these clients.

80. **Cooperation Agreements.** The most recent cooperation agreement between IFAD and UNOPS was prepared in 1995 and has not been updated to take account of the decisions on supervision by the IFAD GC in 1997. In addition to supervision work, the agreement specified that UNOPS could be used in project identification and preparation and would assist, where requested, in project appraisal and loan negotiation. The agreement specified that there should be an annual meeting to discuss programmes and states that letter of appointment for specific projects will detail the responsibilities for supervision. These letters generally lack detail and refer back to the cooperation agreement.

81. **Staffing and Operational Modalities.** UNOPS currently employs 15 portfolio management officers (PMOs) working solely or mostly⁴¹ on IFAD supervision, supported by six professional Loan Administration staff and Finance Officers. The PMOs operate out of offices in New York, Kuala Lumpur, Nairobi, Abidjan (temporarily moved to Dakar),^{42,43} and Rome. The PMOs handle an average of nine to ten projects with travel for 160-200 days per year. Two Loan Administration officers devoted fully to IFAD's matters are located in UNOPS Office in Rome. They also undertake loan administration for IFAD directly supervised projects. In each other regional office a loan administrator associate is mostly devoted to IFAD's matters and work under the supervision of a general Finance Officer.

82. **Staff.** In the past regular secondment of staff between IFAD and UNOPS at Senior level fostered a close working relationship between the two organizations and ensured consistency of design implementation approaches. The interchange process has slowed down, possibly due to the high workload on PMOs.

83. Most of the PMOs are at P5 level and must be recruited with extensive project experience. However, unless they are recruited from other CIs, particularly the World Bank, they require additional training in loan and procurement administration. Budgetary constraints and PMOs' workload have led to training being restricted in recent years. There is only one woman PMO supervising IFAD projects. Barriers to securing a more gender balanced representative group of PMOs are the current workload together with the project and development experience that IFAD specify.

84. **Supervision Modalities.** UNOPS PMOs saw supervision as '*facilitating an evolving process*' to deliver successful projects⁴⁴. Implementation support was seen as an important task but views varied on how well this could be achieved within the limited time and resources available for SMs. It was observed that supervision should identify where implementation support is needed and IFAD should mobilize local (or regional) resources on an ongoing basis to provide the inputs as building technical or institutional capacity was a long term process. Supervision would then monitor the success of the implementation support inputs. UNOPS is currently required to undertake one full supervision mission and one follow up mission each year.

85. All PMOs used a similar process of 12-14 day full supervision missions with the first few days spent with project management and implementing agencies updating on the project progress and issues and verifying a sample of withdrawal applications. This is followed by field visits to inspect new activities and meet beneficiaries and implementers (five to seven days). An aide memoir would then be drafted (mostly in the capital city) for sharing with the CPM before presentation and discussion with the senior project managers and government representatives.

⁴¹ IFAD PI region insists that PMOs only work on IFAD supervision. Some other PMOs also undertake implementation on UNDP projects and contract procurement activities.

⁴² The Abidjan and Nairobi offices were initiated at the request of IFAD to allow the supervision staff to be based closer to the field.

⁴³ Due to the unstable conditions in Cote d'Ivoire, this office is being moved temporarily to Senegal.

⁴⁴ The role of the CIs were modified in the new General Conditions produced in 1998 to add the facilitation role of supervision. This had apparently not been clearly communicated to some PMOs.

86. Generally PMOs prefer to take experienced generalist consultants on the SMs to provide the PMO with a sounding board and second opinion but also with the capacity to work independently. Some PMOs took a strong view that projects were often designed with technical assistance so the project should fund specialist technical assistance. A measure of the working relationship with the CPM was the CPM's willingness to proactively source and fund specialist technical consultant inputs. Contrasting views were put on the use of local consultants with benefits seen in local languages and cultural understanding but they may be less focused and productive on a short SM.

87. With the tightening of the budget allowances for UNOPS supervision (in real terms), specific follow up missions had been stopped in most cases but some limited follow up would be made if in-country working on another SM. Most PMOs felt this reduced the impact of supervision as recommendations were not followed up soon enough and less time was available to build a working relationship with all levels of government responsible for the project and loan.

88. Supervision processes⁴⁵ are not fully documented (though guidelines on loan administration exist) and new staff rely on more experienced staff for support. In offices with a low rate of staff turnover this is not a major problem, but other offices have, and are still, experiencing high staff turnover⁴⁶, so this places more pressure on the more experienced PMOs.

89. **IFAD Specific Aspects.** The major concern expressed, aside from the limited cost allowance, is that IFAD does not have a systematic process to communicate its priorities on IFAD specific aspects and IFAD strategic imperatives to the CIs. PMOs indicated they were aware of the major IFAD specific aspects being incorporated into IFAD project designs. PMOs have varying level of clarity as to emerging IFAD priorities. Experienced PMOs suggested IFAD should focus on developing 'tool kits' and specific guidelines for guiding CIs to implement IFAD's priority areas such as social aspects, M&E, achieving impact and the strategic imperative.

90. **Reporting.** The aide memoir was the framework of the SM report, which could then be prepared quickly after the SM, finished. There was some scepticism on the rating system used on the summary page. Prompt feedback of the aide memoir and SM report to project staff was an important issue for PMOs as was production of a good quality SM report to demonstrate PMO professionalism. Management letters are drafted for IFAD review and senior UNOPS management to sign. There is a procedural and effectiveness issue on whether UNOPS or IFAD should sign the management letter.⁴⁷

Managing the Relationship with IFAD

91. The **key driver** of the relationship between IFAD and UNOPS is the personal relationship between the CPM and the PMO responsible for supervising their projects. Where this relationship is good,⁴⁸ both sides agree that the supervision process works well. In other cases, the UNOPS PMOs expressed disappointment in the minimal feedback on SM TORs, draft *aide memoirs* and supervision reports, and little effort by CPMs to, at least occasionally, participate in part or all of a supervision mission. **PMOs like CPMs expressed a lack of clarity concerning respective responsibilities of UNOPS and CPMs, which also affects the working relationship with the borrower government.**

92. **Contractual Arrangements.** There is a strong view amongst UNOPS PMOs that UNOPS has not managed its relationship with IFAD well. It is believed that *'too much may have been assumed'*

⁴⁵ In addition to loan and procurement administration, new PMOs expressed a need for further training in high level negotiation and change management skills.

⁴⁶ By mid 2003, UNOPS Kuala Lumpur office will possibly have three out of four IFAD PMOs with less than 12 months supervision experience.

⁴⁷ Examples were quoted of where IFAD had taken significant recommendations (relating to the possible need for loan suspension) out of the management letter, which UNOPS then had to sign

⁴⁸ The best relationships were where CPMs and PMOs exchanged all TORs and back to office reports relating to the common projects.

and a 'commercial' focus not taken. IFAD's inability to increase the fees paid for supervision (due to zero growth budget) have led to a reduction in UNOPS supervision services, particularly at the crucial early stages of project implementation. A higher turnover of staff, resulting partly from the high work load involved and constant travelling, has reduced the quality of supervision.⁴⁹

93. **Formal Interaction.** Interaction with IFAD is made at several levels. On a corporate level the relationship is managed through the deputy executive director and regionally between the regional/outpost offices and the IFAD regional divisions. The working relationships between IFAD and UNOPS for each region are handled differently. PI has taken a very close interest in managing the UNOPS inputs and PMOs,⁵⁰ while the other regions maintain varying extent of distance.⁵¹ IFAD PI has held annual meetings with the Chief and several PMOs from UNOPS Asia. Other IFAD regions take a less formal approach to consultation with meetings often arranged during IFAD regional workshops to which the UNOPS PMOs are invited. For PN and PL, which have two PMOs each, formal meetings may be a lesser priority.

94. The lack of formal harmonized communication arrangements has been accentuated by the uncertainty within UNOPS of its future directions recently⁵² so issues faced by regional UNOPS offices could not be afforded adequate priority.

95. **Working Relationship.** Some UNOPS staff believe UNOPS has not been treated as an all full partner but purely as a service provider for IFAD with a limited degree of independence and an apparent willingness to accede to some management interference from IFAD. Some PMOs noted how the direct supervision trial has allowed CPMs to mobilize more resources for supervision that UNOPS could productively use on its own SMs. This also occurs in the loan administration area where funding is being provided to the UNOPS Loan Administration Unit (LAU) to visit the direct supervision projects to provide additional training to project staff but no systematic effort has been made to provide these additional inputs to UNOPS (or other CI) supervised projects. IFAD is considered by some UNOPS staff as a "high maintenance clients".

Issues

96. **Sharing the Vision.** IFAD has not invested in UNOPS, as its main CI, to ensure that it is always aware of and incorporating IFAD's (changing) priorities and IFAD specific aspects into the supervision process. Awareness of these issues has relied on informal interaction between the PMOs, CPMs and some IFAD technical staff and the recruitment of PMOs with experience of working with IFAD. However there is no evidence of a systematic programme to ensure UNOPS (and other CI staff) are provided with sensitization, training and follow-up with written material to keep them abreast of IFAD priorities. Nor did IFAD provide guidelines or guiding principles to assist supervisors in tailoring supervision to suit IFAD's concerns.

⁴⁹ This commercial relationship could consider revising the supervision fee structure including incentives for better supervision performance.

⁵⁰ In more than one case, PI strongly requested that PMOs be removed from supervising IFAD projects. These changes, unless strongly justified, could have negative impacts on the UNOPS/IFAD relationship, and UNOPS staff perceptions of IFAD, and will have longer term negative impacts on the quality of supervision services provided to IFAD.

⁵¹ The evaluation team assessment is that the PL region has the least interaction with the UNOPS PMOs with minimal interventions in the PMO work programmes. This is possibly a reflection of the positive working relationship between the PL CPMs, the two UNOPS PMOs, and the experience of the PMOs.

⁵² An external review of UNOPS future role and responsibilities is currently being finalized. It is due for completion by the end of 2003.

97. **Wider Use of UNOPS Expertise.** UNOPS supervisors⁵³ expressed concern that IFAD was not taking advantage of their implementation experience to improve project design, implementation processes and learning in the project cycle. PMO participation in appraisal and loan preparation / negotiation is very limited and varies widely between regions. A significant gap is also seen in the startup (pre-implementation) phase, as the CI does not become responsible for the project until the loan becomes effective. Key decisions (selection of project manager and PMU staff) and initial procurement, which can have a large impact on later implementation and supervision of the project, are made at this stage. Inputs into the Mid-term Review (MTR) are again at the discretion of the CPM.

98. **Quality of Supervision and Feedback.** Quality control in UNOPS is achieved through senior UNOPS management review of the SM report and signing of the management letter⁵⁴. The MSRs have not been clearly communicated to UNOPS staff (although most probably already practice them), nor is IFAD specific concern systematically reflected in the letters of appointment.

99. There is not a formal feedback process for UNOPS to receive comments on its performance from IFAD or the project and borrowing government. Currently the situation is viewed as '*if the CPM is happy, the quality of supervision is OK*'. UNOPS PMOs were aware that CPMs were rating their performance in the PSR but, despite requests for access, the information had not been shared with them. UNOPS is not systematically invited to participate in the regional portfolio process held in IFAD.

100. A core concern emerging from the consultations with UNOPS is the tight budget under which it carries out the IFAD supervision tasks, repeated UNOPS request for fees increase were turned down. UNOPS argues that, being tied to UN salary scales, it has little room for cost cutting except by reducing time inputs to supervision activities. The budget constraints have created a non-sustainable working environment with high numbers of travel days and a large number of short missions. Given the importance of UNOPS in IFAD supervision, such a situation would have a serious impact on IFAD projects. It appears opportune, if not critical, to face this situation now through contingency planning rather than to await a major "surprise".

101. **Opportunities.** UNOPS staff identified a number of opportunities where IFAD could improve the effectiveness and efficiency of the supervision process. These included: (i) increasing funding by about USD 10 000 per year to allow a dedicated follow up mission for all projects in at least their first two to three years and to effectively reduce the workload from ten to eight projects per PMO, more training for project staff in loan and procurement administration in the first year, some additional funds to allow specialized consultants to be hired: (i) increased supervision resources for large wide spread projects which one PMO cannot physically cover in a two week period; (ii) consider OPS a full partner and include PMOs in processes of defining IFAD strategies, priorities, as well as internal reviews of the ongoing project portfolio; (iii) incorporating PMOs to the extent possible into the other stages of the project cycle, particularly appraisal and loan negotiation; (iv) making better use of the junior/associate professional officer positions spending part of their training in IFAD and part in OPS to develop knowledge of all aspects of the project cycle; and (v) more efficient procurement by taking advantage of information now widely available on the internet to facilitate 'best value' procurement rather than enforcing rigid procurement guidelines that lead to delays in procurement and, possibly, higher costs.

⁵³ The Rome based UNOPS senior loans officer could also capably participate in loan preparation and negotiations.

⁵⁴ This has been even more constrained since the abolition of the position of Chief in the Rome office so now the Deputy Executive Director in New York who has a range of other responsibilities carries out these functions.

B. World Bank

Cooperation Agreements

102. As of December (2002) the World Bank was co-financing 18 projects with IFAD and was providing supervision services to another eight IFAD initiated projects. For Bank initiated projects the 1978 cooperation agreement between IFAD and the Bank specified that the Bank would not charge IFAD for supervising co-financed projects. The Cooperative Agreement has not been changed since, and has not incorporated reference to the MSRs. These were reflected in a paper entitled “Guidelines for Partnership between World Bank and IFAD” dated June 1999. In recent years the Bank sought to raise the level of payments by IFAD for supervision services of IFAD initiated projects eliminating what it considered a subsidy element in the historical billing levels. These levels were considered by IFAD beyond its budgetary teams and the decision was taken to transfer 16 projects from the World Bank to other CIs. This decision reduced significantly the role of World Bank as CI in supervising IFAD initiated projects.

103. As IFAD developed its capacity and expertise in certain areas, pressure has been applied by some CPMs for World Bank to address IFAD specific aspects during SMs. Often the IFAD funded component (s), although not as large financially as the Bank funded activities, is more complex remote and with emphasis on community based activities and local institutions building requiring additional time and skills inputs that the Bank argues is not paid directly for. Where the World Bank TTL and CPM have a good working relationship, the TTL will ask the CPM to provide specialist consultants through, for example, IFAD trust fund or follow up budget. Bank staff see advantages in working with IFAD on projects targeted at rural poor, but Bank staff argue that IFAD will need to provide additional resources (consultants, specialist support organizations) to ensure IFAD’s specific interests are covered in projects that are initiated and supervised by the Bank.

104. **Responsibilities of World Bank Supervisors.** Bank staff are very clear that supervision processes on IFAD projects have to be consistent with Bank projects. Supervision inputs must cover three main areas: (i) Fiduciary issues (loan and procurement administration); and, (ii) Ten safeguard requirements (policy and guidelines)⁵⁵. IFAD has no such safeguard on policy and only two guidelines; and, (iii) implementation support. While most TTLs who lead supervision emphasize the need for ‘implementation assistance’, the first two areas were the highest priority given available resources and required specialists to sign off that the projects/programmes are meeting the key standards. Many SM teams for projects where IFAD is co-financing have some or all of financial management, procurement and environment specialists. This may create extra costs for IFAD, which does not require these standards for its own projects. Another issue is that the TTL and regional sector manager (RSM) do not have clear responsibilities / accountability spelt out for the ‘IFAD’ projects they supervise including the modality of the feedback process for IFAD.

105. **Supervision Guidelines.** The Bank uses a similar but more comprehensive supervision process to UNOPS. The supervision guidelines are extensive and are supported by specific financial management, procurement and safe guard procedures and documentation. The Bank has clear accountability and quality assurance management processes in place for supervision.

106. These include: (i) Regional Sector Managers signing off the TORs, *aide memoir* and signing the management letter; (ii) The TTL’s sector manager and country manager have to sign off PSR updates twice each year; (iii) each year the internal Quality Assessment Group (QAG) undertakes an assessment of the supervision aspects (Quality of Supervision Assessment (QSA)) of about 100 projects. Issues highlighted in the 2002 QSA included: problems with TTLs reporting project riskiness and performance, and the realism of reporting. The QSA report is returned to the regional units to

⁵⁵ These include, environmental assessment, forestry, involuntary resettlement, indigenous peoples, international waterways, dam safety, natural habitats, pest management, cultural resources, projects in disputed areas.

highlight areas for improvement and the quantitative ratings provide a measure of how the quality of supervision has changed⁵⁶ from year to year. Each month a portfolio review committee, including the sector manager for each region, meet to review projects, particularly those identified as Problems or Potential Problems (at risk). For the Problem Projects, the RSM and staff have to develop and implement a supervision plan for dealing with them. Problem projects are identified through the analysis of achievement of development and implementation objectives plus the status of the major risk factors.

107. **Reporting.** The focus of SM reporting is the *aide memoir* with focussed recommendations (with responsibility and timing clearly spelt out) supported by the project performance summary based on the World Bank project status report (WBPSR). There is a clear link between the WBPSR and supervision reporting which facilitates updating the PSR for internal monitoring purposes. The Bank plans to undertake two full missions per year but this is becoming more difficult within the allowed budget⁵⁷. All TTLs interviewed by the evaluation team indicated that they would normally fully supervise at least two projects while on mission with informal follow up on other projects in the same or adjoining countries. There were few complaints about these long missions and four to five week field missions was seen a normal part of the TTL's workload.

108. Where there are in-country office staff resources, local financial management, procurement environment (and other) specialists can provide project support through more regular project visits (as required) or by bringing project staff to the Bank office for further training or specialist advice. Local consultants or bank staff recruited locally play an important role in supervision though this differs among countries.

109. **Emphasis on IFAD Specific Aspects.** The Pro-Poor approach by the Bank covers some of IFAD's specific interests. However, Bank staff will not specifically address these IFAD specific areas unless they coincide clearly with Bank priorities. The lower performance of the Bank in the evaluation assessment fully confirms this observation.

110. **Supervision Resources.** TTLs are responsible for four to five projects/programmes often across several countries with three to four in the implementation phase requiring about a ten week supervision input (four weeks in the field and six at office) per project plus one-two projects under development. Overall, supervision for one project takes 20-25 staff weeks of time. Funding constraints make the hiring of additional specialist/technical consultants difficult. TTLs with good links with their IFAD CPM counterparts valued the ability of IFAD to mobilize funding to field strong technical consultants.

Managing the Relationship with IFAD

111. IFAD and World Bank country directors/sector managers respond on a case by case basis to issues that arise. The relationships between the operations level staff in each organization appear to be driven by an awareness that the organizations should be cooperating but the fundamental differences in imperatives for supervision and a more macro view at the Bank compared with micro/field level view at IFAD creates some tensions. As is the case with UNOPS, aside from the funding issue, an important factor affecting successful working relationships was seen as the personal relationships between the TTLs and CPMs. In situations where there was a good personal relationship, flexibility on both sides was demonstrated to the benefit of the project.

⁵⁶ The QAG processes insist on a measure for realism in reporting to try to encourage supervision staff to report realistically. This is combined with an in-house approach of encouraging a focus on improved outcomes. An internal regional review for one region indicated that 64 % of PSRs did not report the true situation on those projects (too optimistic).

⁵⁷ One unit indicated that there were discussions underway to reduce the supervision requirements to one full mission per year plus a lower key follow up mission. This was to partially address the budget issue but also to focus more attention on the need for quality information in the PSR rather than just using it as a routine document.

112. Some TTLs with IFAD supervision experience took a hard line that “*there is fatigue in the relationship*” and “*the relationship is at an end because of costs*”. However, a good part of Bank regional units staff saw cofinancing with IFAD as an advantage and valued the experience IFAD possesses particularly in designing projects for rural poverty reduction.

113. Consultation with World Bank staff also revealed the apparent lack of communications and feedback processes, including the critical need for the CI to be apprised systematically about the changing IFAD priorities, e.g., on the handling of social issues, so that these may be addressed fully during supervision (and other parts in the projects cycle). This aspect takes greater importance with the IFI CIs if IFAD is to succeed in influencing these institutions toward the goals of rural poverty reduction.

114. The consultation also brought into focus the full cost recovery on a basis of a “uniform pricing system” of staff week. At the same time, turnover in the technical staff, especially with experience in agriculture, may have reduced the strength at the technical end of project supervision and led to a decrease in project level expertise. The intention of the World Bank is to continue a shift of attention in World Bank supervision toward fiduciary issues (procurement and financial management), the Bank’s (ten) safeguard issues and, macro level concerns (sector wide approaches).

115. It seems therefore that the future of IFAD/World Bank relation with respect to supervision is tied with the future of cofinancing between the two institutions. Instances were found where such cofinancing was seen by a few TTLs as a way for the World Bank to use IFAD experience in addressing rural poverty which, as a policy objective, is high on the Bank’s agenda. More intensive and institutionalized dialogue at different levels with the IFIs would be required for any significant increase in such co-financing and the resulting higher levels of CI supervision.

116. As noted in discussion of supervision in the IFAD project cycle, the CIs providing only supervision services are not taking responsibility for supervision until after the conditions of effectiveness were met. Moreover, they are not included in MTRs. It is worth noting that the cofinancing CIs commence supervision of their components (or all for parallel financed) of the project from the time of their own loan signing and the CI does their own MTR. This seems to offer opportunities for IFAD to make savings in future projects during these phases.

VI. FIVE-YEAR PLAN OF ACTION, 1997-2001

117. The Five-Year Plan of Action (the Plan) spelled out the implementation steps required to make IFAD’s GC decisions of February 1997 a reality. Actions were to be taken in five areas. Implementation of these actions has been substantial but not complete as summarized below:

1. *Minimum Supervision Requirements (MSR)*. The MSRs were developed through a workshop held with major CIs in 1997. In this regard the Plan of Action also states that: (i) revised letters of appointment to be negotiated with the CIs; and (ii) a committee to review and standardize reporting format for supervision reports of all CIs. These were not implemented. Thus, the MSRs have not found their ways explicitly into formal documents. The evaluation shows that MSR are fulfilled, with some unevenness, by most CIs with regard to the core supervision areas. In essence, many of the MSRs elements are supervision functions that were well known to the majority of the CIs and were implemented even prior to the MSRs. The articulation of the MSRs explicitly (even if not formally communicated to the CIs) have served to stress the importance of good standards of core supervision. However IFAD specific concerns and more recent IFAD strategic imperatives are still not being addressed adequately in supervision (specifically in implementation support by CI). It would be difficult to hold CIs accountable in the absence of engaging them more closely and of explicit communication of what needs to be done. This lack of engagement also has prevented IFAD from making significant changes in

CI composition on performance grounds. Changes after 1997 have been driven largely by the direct supervision pilot programme and CI charges.

2. *Improving Coordination Procedures between IFAD and CIs to (a) decrease areas of overlap, (b) improve areas of cooperation, and (c) establish a more consistent reporting system:* overall more frequent meetings have been held between IFAD and the major CIs. However, these have not systematically addressed the areas delineated under this part of the Plan. Thus the degree and type of cooperation still varies widely between CIs and IFAD. There was progress in the coordination between IFAD and UNOPS in working together to improve reporting standards. Other CIs largely use their own reporting formats. The informal cooperation between CPMs and their counterparts in the CIs is still the basis for coordination and effectiveness.
3. *Improving Portfolio Management:* Important progress has been made in improving the PSR/PPR process at all the levels, which the Plan anticipated. PSRs have been established and used regularly by all CPMs, regional portfolio reviews are undertaken once a year and a consolidated Progress Report on Project Portfolio is presented annually to the EB. Not the same can be said with regard to the project and portfolio management system (PPMS), and operational staff training in time management and Costab. As evidenced by the difficulties of OA and OE in collating supervision cost data for this study, “a separate accounting system to be established to track the actual cost of direct supervision for pilot projects” has yet to be fully developed and used systematically.
4. *Strengthening learning loop:* IFAD has been encouraging CIs (and projects) to improve results on the ground. However, these priorities have not been strongly institutionalized within IFAD (through more resources directed to implementation stage and enhancing learning from implementation). Reinforcement of the learning loop from ongoing projects has not been improved significantly. The CIs’ knowledge of project implementation and the IFAD direct supervision experience are not yet fully utilized. The main informal learning linkage continues to be through the CPMs and consultants undertaking implementation follow up and project design/review work.
5. *Direct Supervision Pilot Programme:* The direct supervision trial has been implemented as planned. With 15 projects directly supervised (three per region). A wide range of supervision modalities is being tested ranging from the UNOPS model to large consultant teams being mobilized twice per year. Some of the initial findings are reported in the Chapter III. Not all actions planned under this heading have been implemented, including: (i) an analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs; and, (ii) establish a monitoring system to evaluate the pilot projects. Above all there is no mechanism in place so far to ensure that learning from direct supervision is shared and disseminated in house and to the CIs.

118. The GC 1997 decision specified that there would be no additional funding for IFAD direct supervision beyond the average cost of the supervision programme. This is not the case on the basis of cost calculation for 2001 and 2002. However, this remains a tentative conclusion given the early age of the direct supervision portfolio and the expected learning curve. Finally, it is not yet fully evident how did the direct supervision experience complete the MSRs and provide value added to the supervision process (paragraph 18).

VII. CONCLUSIONS

A. The Effectiveness and Efficiency of Supervision

119. **Supervision in IFAD’s Project Cycle.** Institutional attention to supervision is a reflection of IFAD’s strategic emphasis and priorities with respect to various stages of the project cycle. The dominance of design (and pre implementation) cost in IFAD’s project cycle is a manifestation of an

underlying institutional priorities to project approval stage. IFAD efforts to shift its emphasis to implementation stage and impact achievement have to be enhanced. One way of doing this is through strengthen the supervision processes.

120. **Supervision Effectiveness.** In its assessment of the **effectiveness of supervision**, the evaluation defined expected parameters for supervision quality and incorporated the perspectives of all the principal partners. Quality of supervision was defined as adequacy of supervision inputs, meeting MSRs, and addressing IFAD specific aspects. A large cross regions and cross CIs assessment by the evaluation team attested to a *reasonable level of supervision overall* though with variations between the various tasks making up project supervision and between the CIs. Consistently CIs have performed better on fiduciary aspects whereas implementation support, particularly for IFAD's specific requirements (and strategic imperatives), lagged behind. A similar result as to the effectiveness of supervision was found among IFAD operational staff. They also expressed strong views (through a comprehensive survey and discussion) regarding the need to modify existing supervision modalities towards more innovative, field based supervision based on stronger local and/or regional partnership.

121. The supervised clients (project managers), on the other hand, expressed remarkable satisfaction with supervision of their projects. They ranked the services they receive from supervision at a consistently higher level (between fully and highly satisfactory), but services received from World Bank and IFAD's direct supervision ranked best. However, they strongly expressed the need for more frequent and better access to local level implementation support and for changing supervision frequency with the nature of the project and the implementation stage. They also requested more participatory supervision with greater involvement of project management in determining supervision issues and outcome, and better interaction between supervision missions and project beneficiaries.

122. The three perspectives pinpointed clearly some variations between the supervision effectiveness among CIs: on the whole, UNOPS, the recently started IFAD's direct supervision and the World Bank showed a stronger supervision performance than the regional, smaller CIs. World Bank ranked best in fiduciary aspects. IFAD direct supervision followed by UNOPS ranked systematically better in implementation support. CAF and AFESD were found relatively less effective than the other CIs. Smaller regional IFI/CIs notably CAF and BOAD are receiving closer attention by the regional divisions in terms of building their capacity and there are recent emerging signs that these efforts may pay off. All perspectives indicated that while a number of areas require improvement under the existing modalities, *an innovative break through is needed to move supervision to a higher plateau of performance.*

123. **Minimum Supervision Requirements (MSR) and the 1997 Plan of Action.** Attention to supervision in IFAD has no doubt improved after 1997, but the changes called for by the Five-Year Plan of Action have only partly been achieved. Progress was concentrated in the PPR/PSR processes and, most important, in the introduction of direct supervision. While the MSRs were developed, and are currently met, the standards they embody are below what an institution of IFAD's mandate and experience in poverty reduction should be expecting. The MSR were designed for establishing a common basis for supervision carried out by all CIs. They were not as effective as expected because:

1. They did not cover the necessary ground right from the beginning. They contained only vague definitions of IFAD specific concerns (notably the social issues of targeting, participation, gender aspects, etc.), though these were quite developed then.
2. They did not specify in details the required fiduciary aspects (e.g. setting clear guidelines and standards and handling of audits);
3. The lack of formal communication between IFAD and CIs on the MSR (in spite of the workshop held on the subject with the most important CIs). They were not introduced in the Cooperation Agreements or the letters of appointments, hence no appropriate legal framework enforced their implementation.

4. The main elements of the MSR were not introduced into the ARs and loan agreements with borrowers, as was explicitly intended under the Five-Year Plan of Action; and
5. There was no allowance in the MSR to treat the supervision process in a dynamic context: thus changing priorities of IFAD, specifically the “IFAD strategic imperatives” have not been incorporated in the MSR as they emerged from 1997 to 2002. This last point takes on special importance, as it jeopardizes the continuity between institutional policy and project implementation. However, the CIs cannot be held accountable for paying little attention to these imperatives.

In sum, there remains an important agenda to be pursued to make the MSRs – or any equivalent form of common guidance for supervision of IFAD supported projects – the working instrument that ensures consistency between IFAD specific interests and what is pursued on the ground. Some other unfinished agenda also remains from the 1997 Plan of Action in the areas of coordination between IFAD and the CIs and reinforcing the learning loop between design and implementation.

124. Adequacy in Addressing IFAD Specific Aspects. (These include: target group participation, targeting the poor, targeting women, gender mainstreaming/gender sensitive implementation and participatory M&E). Supervision performed overall lower in addressing these aspects compared to fiduciary/core elements. Considerable variations were noted between SMs with respect to coverage of IFAD specific aspects. Overall, the direct supervision and UNOPS were rated as more effective in addressing IFAD specific aspects during supervision. AFESD, WB and CAF lagged in this area. The weakest aspect for all CIs was gender mainstreaming/gender sensitive implementation. Performance is influenced by team composition, number of members in the mission, the sequence of missions, as well as the overall institutional orientation and strength to handle these aspects. Inclusion of a social issues expert on the mission makes a difference to the manner in which IFAD specific aspects are covered. More members in the SM team gave a better chance for IFAD specific aspects to be addressed. Performance in addressing IFAD strategic imperatives was overall lower, with IFAD and World Bank ranking better.

125. Supervision Efficiency. The results of cost analysis for all CIs over two years (2001 and 2002) demonstrate that the best performing CIs are those receiving the higher fees. As various CPMs observed “IFAD gets from CIs what it pays for”. While this is an approximate indicator that IFAD is getting proportional benefits from its resource allocation to supervision, there is still quite a scope for enhancing supervision quality. In addition, long term cost analysis (not currently feasible) is required to firm up this finding. No conclusive statements can yet be made regarding IFAD direct supervision projects as the results of performance in relation to cost of the direct supervision portfolio are preliminary and of tentative nature.

126. Portfolio Management and Supervision Quality Assurance. Very good progress has been made in portfolio management through the deepening of the PPR process including the development of the PSR, regional portfolio reviews and the consolidated Annual Progress Report on the Project Portfolio. This has enabled IFAD’s management and its EB to focus attention on critical portfolio concerns and to take necessary actions. It also has helped to bring an institutional perspective to what otherwise CPMs might have looked at from single project and/or country angles. Nevertheless there remains unease among IFAD staff, foremost the CPMs, about the PPR process as a vehicle for improving the quality of supervision. Their feedback indicates that renewed and more intensive efforts are needed. IFAD’s Controller’s Office remains concerned about shortcomings in the handling of audits (a subject in which CPMs expressed less interest).

127. The evaluation confirmed weakness in the area of Supervision Quality Assurance. Aside from a short reference in the PSR, IFAD has not devoted sufficient attention to rigorously define the expected quality of supervision. No clear monitorable indicators for this quality have been developed to allow for a robust project by project assessment of supervision quality, and to take actions for improvement. Most importantly while CPMs are requested to assess the performance of CIs in the PSRs no independent assessment of the performance of IFAD direct supervision is undertaken. Quality of

supervision is not at the moment a primary objective of the project portfolio management. Other IFIs, notably the World Bank, have gone a long way in establishing such standards (see Appendix VII).

B. Supervision Modalities

128. **Concentration of Supervision and the IFIs Model.** The supervision modalities in IFAD supported projects have not basically changed in any significant way since the beginning of the Five-Year Plan of Action except for the introduction of direct supervision. There was a limited streamlining in the role of the CIs: their total number has slightly declined and IFAD does not draw anymore on IFI CIs for supervision of stand alone IFAD projects (a small number of such projects are still supervised by the World Bank, but this is being phased out). IFAD gradually increased its reliance on UNOPS as a service provider for supervising almost all IFAD initiated (non-co-financed) projects (outside the 15 directly supervised projects). Cofinancing has thus become the entry point for supervision of IFAD projects by IFIs. IFAD has continued to supplement CIs work through its implementation support activities.

129. Concentration of project supervision into fewer CIs has continued in recent years. UNOPS is currently responsible for supervising about 60% of ongoing projects and is the only non IFI CI. But the IFIs model of supervision⁵⁸, also used by UNOPS, has gone largely unchanged. Because of the changing way of conceptualizing and designing projects in IFAD (more emphasis on process orientation, community driven approaches, empowerment and policy advocacy) the IFI model in supervision may not be the most effective modality to enhance project performance. The evaluation found some interesting pioneering work (notably in PL) done through the use of regional TAG funded programmes for capacity building of local and regional institutions to provide significant inputs into the supervision process in support of project implementation. Some CPMs are also pioneering local level partnerships to promote the right type of project implementation support. There is an opportunity to extend and develop further innovative supervision modalities that are especially suited to the needs of IFAD assisted projects in different regions.

130. **The Role of Implementation Support by IFAD.** Implementation support, to supplement CI supervision, has existed in IFAD from the very beginning and is firmly established as an input in the supervision process. Despite its importance and the large amount of resources it absorbs (more than one quarter of supervision costs), IFAD has not developed a clear operational policy and priorities on which to anchor this concept. Currently implementation support covers a large spectrum of technical and socio-economic inputs in support of project implementation. The evaluation did not find any direct correlation between implementation support and CI performance nor with project performance. Most importantly the use of implementation support is not linked with a clear policy of local and national capacity building. Implementation support, as currently practiced, does not appear to be based on a long-term vision to eventually phase it out and create the capacity locally to provide project support when and where needed. This contradicts clearly the sustainability requirements. In many ways the difference between implementation support and the conventional concept of technical assistance by foreign experts is quite blurred.

131. IFAD supported projects expressed the desire for more frequent interaction with locally-based implementation advisers. Two crucial concerns of PMUs were: (i) the limited availability and use of local resource persons in supervision missions and (ii) low accessibility to and interaction with implementation support experts, particularly for process oriented community driven projects (currently the majority of IFAD projects). These two concerns, call for a serious questioning of the conventional modality of supervision (the IFIs model) used by CIs. It also highlights the need for a re-examination of the concept of implementation support and re-positioning it within a medium-term strategy for strengthening local capacity towards locally-based demand-driven project support.

⁵⁸ With supervision done through external missions once or twice a year concentrating mainly on fiduciary aspects.

132. **Direct Supervision.** On the basis of the information available from the direct supervision portfolio, the evaluation preliminary findings noted many positive features in the performance of direct supervision. This was confirmed by the DR and the project managers survey (see paragraphs 122-124). The evaluation also noted some tradeoffs, in particular in terms of the high unit costs of direct supervision. While 70% of the surveyed staff favoured direct supervision, 30% were skeptical due to the level of efforts and time required and difficulties in accessing resources for this purpose. As stipulated in the Five Years Plan of Action, an accounting system was established to track the actual cost of direct supervision and supervision by CIs, and to monitor them, but it has not been applied systematically and still needs improvement. The difficulties encountered in compiling the supervision cost for 2001 and 2002 by the IFAD's Office of Internal Audit is a case in point.

C. Partners' Perspectives

133. **Supervision Processes.** The survey of project managers and feedback during field visits indicated high satisfaction with the current supervision processes. There remained some areas where project managers requested improvements, specifically increasing participation in supervision administration and access to local level expert advice. Projects requested more inputs into the identification of needed skills on supervision teams, inputs into the preparation of supervision TORs, better implementation support, especially for IFAD specific aspects, and participatory AWPB and M&E. Project managers indicated that SMs should spend more time talking with project target groups. Recommendations of SM were judged in some cases to be numerous and some of it unrealistic. Reporting was well regarded. CPMs, unlike project managers, found the SM aide-memoire as the most effective reporting element while for project managers the more analytical and comprehensive SM report was most valuable.

134. **CIs: Partners or Service Providers?** Effectiveness of the cooperation with CIs is generally driven by how well the CPM and his/her counterpart in a CI (e.g., the PMO at UNOPS or the TTL at the World Bank) interact. Mostly there is a good degree of cooperation. What is less evident is the institutional underpinning for such cooperation. Feedback from UNOPS staff and from CPMs suggests a desire for greater clarity in spelling out the respective responsibilities. There are also indications that some inefficiencies are caused by the limited supervision cycle for the CI (e.g. CI is not responsible for supervision between loan signing and loan effectiveness, nor for the MTR).

135. UNOPS maintains that its fees are set at a relatively low level in relation to IFAD's expectations. This and the high work loads of its staff and their frequent field travel led some UNOPS staff to view IFAD as a 'high maintenance client'. The majority of UNOPS staff expressed the view that the relationship is increasingly dealt with as "client service provider" in the strictest sense. The evaluation confirmed that stronger elements of partnership for rural poverty reduction between IFAD and UNOPS are possible and desirable. This would involve joint responsibility for outcome and sense of ownership. Such partnership can be reflected, inter alia, in more frequent consultations on policy and strategy issues, joint contributions to main IFAD events and fora, consultations on relevant project design aspects and more importantly joint assessment of outcome. IFAD's assessments of CIs performance (through the PSR) are not being systematically shared with the CIs. Nor are CIs, as major partners, included systematically in the portfolio review exercise. The cooperation with CIs as partners rather than a merely remote service provider for a given fee, was anticipated under the Five-Year Plan of Action. This has not fully materialized.

136. **Supervision by IFI CIs.** For co-financed projects, supervision is guided mostly by the standards and priorities of what is mostly a larger partner. This has often been difficult for CPMs and their counterpart CI staff, sometime requiring considerable efforts to overcome conflicting interests. Both sides recognize the potential synergies of two agencies working together, but the practicalities of managing different corporate and development objectives may make the arrangements at times difficult to handle. Against this background, simplifying the design of IFAD specific components may

lower expectations with respect to supervision. The way of addressing IFAD's concern has been through providing implementation and technical support by IFAD to supplement CI supervision. This is at present managed rather informally, and is not likely to produce sustainable effects in the absence of a more systematic approach. Systematic updating for the IFI/CI on IFAD's priority areas is critical, as is providing feedback to the CI on its performance in the IFAD specific areas.

D. Knowledge Sharing/Learning from Supervision

137. One of the key factors leading to the introduction of the direct supervision trial was the statement from the four CIs, which participated in the 1996 Joint Review that IFAD lacked field implementation experience. The Joint Review expected that both CPMs and IFAD consultants would ensure feed back from direct supervision into project design. This would close the learning cycle that other IFIs seek to achieve through assigning the same team to appraise and supervise a project (and appraise a follow-up project). The evaluation concluded that there still is a disconnection between the project design phase, with consultants taking the lead, and the supervision phase, which the CI leads (sometimes using the same consultants). The flow of ideas and lessons learned from implementation thus depends on a small group of consultants who work in both areas. CPMs responsible for direct supervision spend more time in the field (in relation to supervision), but not the others. Aside from informal interaction, no in house mechanism has been put in place to capture supervision based knowledge and disseminate best practices.

138. In recent years UNOPS staff have become less involved in project formulation or appraisal missions. The disconnection between CI experience and inputs into other stages of the IFAD project cycle applies to the MTR process and preparation of the completion report as well. Participation of the CI in these activities could bring considerable implementation experience and context to these important activities and enhance the design of new IFAD projects. Perhaps one of the consequences is that ARs (and implementation manuals) do not refer sufficiently to supervision, and its role is not clearly articulated and documented. Better documentation could work as a guide for supervisors and PMUs.

139. **Supervision and IFAD Field Presence.** The evaluation provides some insights that may be of use for future consideration by IFAD. As mentioned, IFAD supported projects highly appreciated the more frequent contact and access to local level advise/support in the supervision process (notably direct supervision). Some CIs, and direct supervision CPMs, were found to use a variety of arrangements to draw on local and regional resources that provide cost effective inputs to SMs and increase access by projects to these services. In many instances IFAD has built on resident offices of the CIs to enhance its presence in the country. These arrangements have created means to approximate IFAD field presence that appear to be yielding good results for enhancing project supervision quality, project implementation, and partnership building at national level. The needs and opportunities for creating a cost effective field presence for IFAD are no doubt high.

VIII. RECOMMENDATIONS

140. In the light of the foregoing findings and conclusions, the evaluation recommends that actions are taken to shift the boundaries of the supervision modalities for IFAD towards a new model that better reflects the nature and needs of IFAD supported projects. Actions should be undertaken at two levels simultaneously: (i) Policy Level: a medium-term policy and programme level initiative to link supervision of IFAD supported projects with local/regional level capacity building as well as with IFAD's current efforts to establish field presence. This will strengthen the provision of local support services for implementation of poverty oriented projects, increase access of IFAD supported projects to these services and gradually shift IFAD supervision modalities to greater reliance on national/regional institutions; (ii) Operational Level: while the results of the above mentioned policy are gradually materializing, IFAD should continue to address weaknesses in existing supervision modalities to maximize effectiveness and maintain a diversified profile of supervision partners.

Recommendation 1: Develop a new policy and regional programmes for supervision in IFAD

Supervision effectiveness obtained under the present modalities is encouraging overall, especially in the view of the project managers. However, the evaluation also indicates that several areas of supervision, in particular those related to IFAD specific and strategic issues, are in need for improvements. Some additional resources directed toward these issues may yield improvements though results are likely to depend at least as much on a greater attention to quality of supervision. To move supervision to a higher and sustainable level of performance, however, is likely to require changes in the present supervision modalities. There is a need to introduce improved and innovative supervision modalities reflecting the needs and changing nature of IFAD supported projects and link it to national/regional capacity building and local level partnership.

A number of pioneering initiatives are now under way in IFAD at regional and/or CPM level. It is recommended to build on these initiatives and develop a new IFAD policy for supervision. The policy should specify the principles involved in designing and implementing regional programmes that extend and develop further innovative supervision modalities taking into consideration variances in the institutional capacities in different regions and linking explicitly with IFAD's ongoing efforts regarding field presence. An implementation plan with measurable indicators should be associated with the development of such a policy including at the level of the regional divisions' programmes.

Recommendation 2: Revise and update IFAD's MSRs for its CIs holding them firmly accountable to it

The number one recommendation in the Five-Year Plan of Action is in need of renewal and reinforcement:

- MSRs require a transformation into a *dynamic system* that can reassure IFAD about the inclusion of emerging new concerns and priorities that need to be reflected in the supervision standards.
- Core supervision and fiduciary aspects should be spelled out more clearly including following up on audit results.
- MSR should include clear definitions and detailed reference to IFAD specific aspects, in particular the adequate addressing of targeting, participation, and gender related issues.
- The additionality that IFAD requires above the guidelines of CI/IFIs should be fully reflected in the MSRs and clearly delineated.
- Cooperation Agreements with CIs should reflect the new MSRs with special emphasis on IFAD specific aspects.
- Revised letters of appointment of CIs should refer explicitly to the revised MSRs⁵⁹.

Recommendation 3: Build CI capacity in the supervision of IFAD's specific aspects and provide appropriate tools

With variations between different CIs, supervision of IFAD Specific Aspects (target group participation, targeting of the poor, gender mainstreaming and gender sensitive implementation, and participatory M&E) showed a generally lower, or even much lower performance than supervision in the other categories. Not all CI and IFAD supervisors are recruited with clear proficiency in the areas of community level work, empowerment of the poor or gender sensitive implementation. IFAD needs to do much work vis-à-vis the CIs to bring supervision in these areas up to good standards. It is IFAD's responsibility to strengthen CI supervisors' (and IFAD CPMs) capacity in this regard. Written guiding frameworks, periodic joint CI/IFAD training sessions and transfer of learning and best practices between CIs and between IFAD and CIs can lead to great improvement. Training of project

⁵⁹ Note, for instance, the new "Guidelines for Partnership between World Bank and IFAD" of June 15, 1999 which states in paragraph 5: "Normal Bank supervision procedures apply, with due consideration of IFAD's minimum supervision requirements" (the latter are listed as attachment). There is no indication how this would be done.

staff themselves in these aspects is an important dimension of capacity building and should be considered a priority area for implementation support by IFAD.

Recommendation 4: Assess IFAD's implementation support patterns and practices

The evaluation could not establish any meaningful correlation between the pattern of allocating implementation support to IFAD projects and project performance, nor for that matter the performance of the CI involved. A related concern is expressed by PMUs regarding the limited use of local resource persons in supervision and in frequent interaction with implementation support experts. It is critical to realign the use of all IFAD instruments used in supervision towards capacity building for better project implementation. It is recommended that PMD undertakes an assessment of implementation support practices and their effect on project performance. There is a need to establish clear principles and criteria for the use of this instrument and monitor it closely to ensure resource allocation in areas of maximum returns for project performance and to contribute to strengthening local implementation capacities.

Recommendation 5: Improve supervision quality assurance in IFAD

The PPR process has become an important management tool for addressing issues identified in the portfolio. Nevertheless, supervision quality assurance is not systematically dealt with. It is recommended to strengthen the PPR process by adding a strong institutional focus on *improving the quality of supervision and facilitating monitoring of CI performance*. This would increase the confidence in the reliability of the PPR system as a portfolio monitoring mechanism and enable IFAD to give a better informed feedback to CIs. Under such a focus IFAD would introduce a vehicle to improve impact on the ground and enhance supervision accountability for meeting well defined standards. This should apply to CI as well IFAD direct supervision. The latter is particularly important as no system exists at the moment within PSR to assess the performance of supervision in directly supervised projects. Periodic assessment of supervision quality can possibly start by a limited sample of the portfolio, but over the years a good part of the portfolio would be captured. CIs would have to be incorporated in such quality assurance process to ensure ownership of recommendations. Reviewing other IFIs practice in this respect would help identify good practice.

As an initial step, PMD can develop a simple process for such quality assurance reviews with its timing coinciding with that of the PPR management review. The process should be well focused and perhaps initially limited to a review by a small team of experienced in-house staff, external supervision managers and CPMs. This can eventually lead to a structured learning process for more stakeholders including the project implementers and borrowers. In this regard, it is also essential that OE strengthens, through the rigorous implementation of the Methodological Framework for Evaluation, its assessment of supervision and to formulate clear recommendations as needed.

Recommendation 6: Strengthen the learning loop from supervision

This was a major benefit that the direct supervision pilot programme was expected to achieve. There was also an expectation that IFAD will increasingly integrate the CI experience from supervision into design processes. Some learning is emerging from the experience with the direct supervision pilot programme, but is mainly confined to the CPMs and consultants concerned. Much more needs to be done for a systematic strengthening of the learning loop. A more systematized learning process still has to be developed, involving the principal actors familiar with supervision on the one hand and with project formulation/appraisal on the other. It seems especially appropriate to draw on UNOPS PMOs who, unlike staff in other CIs, have specialized experience on the implementation phase of IFAD supported projects. Given the role of consultants throughout the IFAD project cycle, their ability to perform, and to reinforce others, depends on their full incorporation into the systematic learning process.

Recommendation 7: Improve coordination between IFAD and the CIs and strengthen the partnership aspect

This continues to be a matter of concern for IFAD and the CIs, and to some extent project managers. Institutionally the agenda for improvements in this domain should:

- eliminate areas of overlap, and clarify once and for all IFAD responsibilities versus CIs (and vice versa) particularly vis à vis contributing to the TORs of SMs, participation in wrap up meetings, coverage of implementation support, and responsibilities in decision making vis à vis the borrower;
- improve communication by setting minimum levels of interaction at regional as well as corporate level;
- establish a more consistent reporting system among all CIs and monitor adherence;
- expand the view about CIs from service providers to partners for rural poverty reduction with joint responsibility for outcome. This means consultation with CIs in developing policies strategies and priorities, inclusion in IFAD events and fora, involvement to the extent possible in the design process and in the portfolio review process.

Recommendation 8: Exercise realism in setting up fees for the CIs and base it on project needs

If the scope of supervision is to be consistently maintained or even enhanced, including a practice of an average of two supervision missions at least in the initial phase of project implementation, of a longer stay in the project area, and adequate interaction with beneficiaries; realism in the setting of fees is essential. Implementation support, a subject recommended for review under recommendation 4, is a complementary resource in strengthening supervision services performed by CIs and would have to be considered in the context of setting realistic CI fees.

APPENDICES

Appendix I
The Five Year Plan of Action

REPORT OF THE JOINT REVIEW ON SUPERVISION ISSUES FOR IFAD-FINANCED PROJECTS
FIVE-YEAR PLAN OF ACTION (1997 - 2001)

Activity	1997				1998				1999				2000				2001			
	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3	q4
Recommendation 1 To determine the minimum requirements for supervision of IFAD projects 1 A committee to be formed in IFAD to determine minimum supervision requirements. 2 Committee to submit recommendations to management. 3 IFAD holds workshop to discuss recommendations with main CIs. 4 Revised Letter of Appointment of CIs to be negotiated with the CIs. 5 A committee to review and standardize reporting format for supervision reports.																				
Recommendation 2 Improving present coordination procedures between IFAD and CIs to: (a) eliminate areas of overlap, (b) improve areas for cooperation, and (c) establish a more consistent reporting system 1 A committee to draw up guidelines for (a), (b) and (c). 2 IFAD holds workshop with CIs to discuss (a), (b) and (c). 3 Annual meeting with individual CIs (most meetings held at beginning of year).																				
Recommendation 3 Improving portfolio management 1 Ongoing activities (a) Country portfolio review. (b) Reformulation of projects. (c) Partial cancellation of loans. (d) Mid-term reviews. (e) Periodic loan portfolio review (Regional Divisions). (f) Corporate periodic portfolio review. 2 Skills and training requirements assessment for project controllers (a) Inventory of project controllers skills profiles. (b) Defining the competencies (skills, knowledge, attitude to do the job). (c) Job description for project controllers (updated). (d) Identification, training and development needs for the function of project controller.																				

• Key issues to be discussed at workshop.

Activity	1996			1997			1998			1999			2000			2001				
	q1	q2	q3	q1	q2	q3	q1	q2	q3	q1	q2	q3	q1	q2	q3	q1	q2	q3	q4	
3 Project and Portfolio Management System (PPMS) (a) Design (October 1996 to February 1996). (b) Construction (April 1996 to December 1996). (c) Roll out. Training in the system. (d) Full implementation of PPMS. (e) Training of project controllers in time management. (f) Training of project controllers in costab. (g) A separate accounting system to be established to track the actual cost of direct supervision for test projects.																				
Recommendation 4 Strengthening learning loop 1 Ongoing activities: (a) Interim evaluation. (b) Mid-term evaluation. (c) Completion evaluation. (d) Country portfolio evaluation. 2 Development of computerized Evaluation Knowledge System (EKSYST). 3 Linking EKSYST with local area network. 4 Development of Document Management System. 5 Document Management System operational.																				
Recommendation 5 Test projects to be supervised by IFAD 1 Agreement by Governing Council for IFAD to supervise test projects. 2 Criteria to be used for selection of test projects to be submitted to Executive Board. 3 15 test projects to be determined (3 projects per region). 4 Identify and negotiate with reputable private national or international organizations to undertake procurement and financial administration. 5 Progress report of test projects to be reported to Executive Board. 6 Analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs. 7 Mid-term review of supervision of test projects to be submitted to Executive Board. 8 Establish monitoring system to evaluate the test projects.																				

Appendix II

2. What are IFAD's Minimum Supervision Requirements

The following requirements have been discussed and agreed upon with our major supervising partners. The following list represents our minimum requirements for cooperating institutions undertaking supervision. It is anticipated that under direct supervision, we will complete the **minimum**, and provide real value-added to the supervision process by actively encouraging the participation of all stakeholders, particularly the beneficiaries.

- Organise the Project Start-up workshop/mission jointly with IFAD and the government, after having agreed with IFAD upon the broad approach, thematic issues and division of responsibilities for the workshop.
- Determine the supervision plan for the project, in terms of timing for field missions and specialist services required.
- Examine, on a regular basis, the relevance of project activities to project objectives, and suggest modifications in project design to enhance the likelihood that ultimate benefits from the project will be realised.
- Review, and in consultation with IFAD, approve the AWPB.
- Ascertain the congruence of the procurement procedures with the provisions of the loan agreement and recommend corrective action if needed.
- Review, periodically, the implementation status of the approved AWPB and the preparation of the AWPB for the subsequent year. Include an analysis of the technical dimension of activities and suggest modifications where necessary. Incorporate an analysis of human dimension issues into this review, and highlight these issues from time to time.
- Review implementation of provisions for beneficiary participation in M&E activities, and assess the extent to which project work plans reflect beneficiary inputs.
- Identify and facilitate the solution of problems, implementing the recommendations of earlier missions.
- Monitor and secure government compliance with project covenants and make appropriate recommendations to IFAD and the government whenever non-compliance is demonstrated.
- Ensure that the project respects requirements regarding the submission of financing statements and audit reports as set forth in the loan agreement and provide timely comments on the audit reports.
- Monitor that the Special Account and the SOEs comply with the conditions set forth in the loan agreement and carry out spot checks on SOEs (See Sections 3.7, 4.2 and 5.3 of the *Loan and Grant Administration Operation Manual*.) Ensure that the periodic replenishment of the Special Account, on a revolving basis, is effected at the required pace.
- Monitor and secure compliance with the level of counterpart funding in accordance with the approved AWPB.
- Assist the borrower in preparing Project Completion Reports.

Appendix III

Tasks Groupings Used For Assessing Compliance with MSRs

- | | |
|------|---|
| i) | Supervision Administration: Organize start-up workshop, Determine program |
| ii) | Loan/Procurement Administration:
Monitor procurement arrangements, Monitor compliance with covenants, Overview submission of accounts, Monitor special accounts and SOEs |
| iii) | AWPB Processes: Review implementation of AWPB, Overview preparation of next AWPB, Monitor counterpart AWPB funding, Assess how beneficiary inputs are incorporated into AWPBs |
| iv) | Achieving Project Objectives:
Assess relevance of project activities to project objectives, Recommend modifications to design to increase enhance meeting of objectives |
| v) | Facilitating Improved Implementation (Implementation support): Identify/facilitate solution of problems, Review implementation of previous supervision mission recommendations, M&E implementation |
| vi) | Social Dimensions: Assess impact of human dimensions, Recommend ways these aspects can be improved. Review beneficiary inputs to M&E activities? |

Source: Adapted from MSRs set out in IFAD Direct Supervision Guidelines, 1998

Appendix IV

Project Reviewed in the Desk Review

Country	Project	Loan ID	Project Name	Loan Approval	Loan Effectiveness	Cooperating Institution
Western and Central Africa						
Benin	1028	470-BJ	Microfinance and Marketing Project	22/04/1998	4/05/1999	IFAD
Burkina Faso	512	418-BF	South West Rural Development Project	11/09/1996	12/01/1998	BOAD
Côte d'Ivoire	513	419-CI	Marketing and Local Initiatives Support Project	11/09/1996	27/04/1996	UNOPS
Gambia, The	428	375-GM	Lowlands Agricultural Development Project	12/04/1995	27/05/1997	AfDB
Gambia, The	1100	486-GM	Rural Finance and Community Initiatives Project	02/12/1998	14/07/1999	IFAD
Ghana	1002	429-GH	Village Infrastructure Programme	04/12/1996	24/04/1998	WB
Guinea	1003	430-GN	Fouta Djallon Local Development and Agricultural Rehabilitation Project	4/12/1996	28/01/1998	UNOPS
Mali	497	409-ML	Zone Lacustre Development Project – Phase II	17/4/1996	12/06/1997	BOAD
Mali	1089	488-ML	Sahelian Areas Development Fund Programme	2/12/1998	14/10/1999	IFAD
Niger	434	381-NE	Special Country Programme - Phase II	13/09/1995	27/02/1998	UNOPS
Senegal	491	402SN	Rural Micro-enterprises Project	6/12/1995	3/01/1997	BOAD
Togo	490	401-TG	Village Organization and Development Project	6/12/1995	24/11/1998	WB
Eastern and Southern Africa						
Angola	1023	463-AO	Northern Fishing Communities Development Project	4/12/1997	15/02/1999	UNOPS
Madagascar	1020	548-MG	Second Environment Programme Support Project	29/4/1997	20/03/1998	WB
Madagascar		410-MG	Upper Mandare Basin Development Project – Phase II	17/04/1996	25/11/1997	UNOPS
Mozambique	1005	432-MZ	Family Sector Livestock Development Project	4/12/1996	12/02/1998	UNOPS
Tanzania	1006	433-TZ	Kagera Agriculture and Environmental Management Project	4/12/1996	10/09/1997	UNOPS
Uganda	1021	442-UG	Vegetable Oil Development Project	29/04/1997	10/07/1998	WB
Uganda	1060	482-UG	District Development Support Programme	10/09/1998	24/05/2000	IFAD
Zambia	430	377-ZM	Smallholder Irrigation and Water Use Programme	12/04/1998	9/04/1996	UNOPS
Zambia	1108	521-ZM	Smallholder Enterprise and Marketing Programme	8/12/1999	7/11/2000	IFAD
Zimbabwe	1051	490-ZW	Smallholder Irrigation Support Programme	2/12/1998	14/09/1999	IFAD
Asia						
Bangladesh	1029	505-BD	Agriculture Diversification and Intensification Project	29/4/1997	4/12/1997	IFAD
Bangladesh	1074	472-BD	Aquaculture Development Project	23/04/1998	8/12/1998	UNOPS
Cambodia		423-CA	Agricultural Productivity Improvement Project	11/09/1996	22/09/1997	WB
China	523	424-CN	NE Sichuan Qinghai/Haidong Integrated Agricultural Development Project	11/09/1996	14/05/1997	UNOPS
China	1048	451-CN	South West Anhui Integrated Agricultural Development Project	11/09/1997	12/12/1997	UNOPS
India		439-IN	Rural Women's development and Empowerment Project	27/03/1997	19/05/1999	WB
Korea, D.P.R.	1064	469-KP	Crop and Livestock Rehabilitation Project	4/12/1997	20/12/1997	UNOPS
Nepal	1030	452-NP	Poverty Alleviation Project in West Terai	11/09/1997	10/03/1998	UNOPS
Pakistan	524	425-PK	Dir Area Support Project	11/09/1996	15/04/1997	UNOPS
Pakistan	1042	453-PK	Northern Areas Development Project	11/09/1997	11/09/1998	UNOPS

Country	Project	Loan ID	Project Name	Loan Approval	Loan Effectiveness	Cooperating Institution
Viet Nam	1007	434-VN	Quang Binh Agricultural Resources Conservation and Development Project	4/12/1996	25/03/1997	UNOPS
Latin America and the Caribbean						
Argentina	506	417-AR	Rural Development Project for the North East Provinces	18/4/1996	15/10/1998	CAF
Bolivia	1031	445-BO	Small Farmers Technical Assistance Services Project	29/4/1997	30/04/1998	CAF
Chile	427	374-CL	Agricultural; Development Project For Peasant Communities and Smallholders	6/12/1994	21/10/1996	UNOPS
Colombia	520	426-CO	Rural Micro-enterprise Development Programme	11/09/1996	30/06/1997	CAF
Dominican Republic	1068	495-DO	South West Region Small farmers Project Phase II FIDA V	3/12/1998	5/04/2000	IFAD
Guyana	1009	436-GY	Poor Rural Communities Support Services Project	4/12/1996	4/03/1999	CDB
Mexico	494	405-MX	Rural Development Project of the Mayan Communities	7/12/1995	4/11/1997	UNOPS
Peru	1044	467-PE	Development of the Puno Cusco Corridor Project.	4/12/1997	17/10/2000	IFAD
Venezuela	521	427-VE	Economic Development of Poor Rural Communities Project	11/09/1996	25/06/1998	CAF
Near East and North Africa						
Armenia	1177	455-AM	North West Agricultural Services Project	4/12/1997	1/02/1998	IFAD
Egypt	355	355-EG	Agricultural Production Intensification Project	20/04/1994	21/01/1995	UNOPS
Jordan	481	392-JO	Agricultural Resource Management Project – Karak and Tafilat	6/12/1995	11/07/1996	AFESD
Jordan	1071	468-JO	National Programme for Rangeland Rehabilitation and Development	4/12/1997	4/09/1998	AFESD
Jordan	1092	509-JO	Yarmouk Agricultural Resources Development Project	29/04/1999	3/04/2000	AFESD
Sudan	1045	501-SD	North Kordofan Rural Development Project	28/04/1999	14/06/2000	IFAD
Syria	482	393-SY	Coastal/Midlands Development Project	06/12/1995	7/07/1996	AFESD
Syria	311	311-SY	Southern Regional Agricultural Development Project – Phase II	9/09/1992	10/03/1993	AFESD
Syria	1073	477-SY	Badia Rangelands Development Project	23/04/1998	21/12/1998	AFESD
Tunisia	348	348-TN	Integrated Areas Development Project in Kairouan	2/12/1993	7/08/1995	AFESD
Tunisia	483	394-TN	Integrated Areas Development Project in Siliana	6/12/1995	17/06/1996	AFESD
Tunisia	1104	499-TN	Integrated Areas Development Project Zaghuan	3/12/1998	14/12/1999	AFESD
Turkey	476	387-TR	Ordu-Giresun Rural Development Project	14/09/1995	25/8/1997	UNOPS
Yemen	1075	456-YE	Raymah Area Development Project	4/12/1997	10/07/1998	UNOPS
Yemen		454-YE	Southern Governorates Rural Development Project	11/09/1997	01/07/1998	WB

TOTAL 57 projects

Appendix V

Projects Directly Supervised and Disbursement Rates (December 2002)

Division	Project ID	Project Name		Disbursement Rate %	Country Name
NEAR EAST AND NORTH AFRICA	455	N.W. AGRICULTURAL SV	IFAD	100%	ARMENIA
ASIA	443	DIVERSIFICATION PROJ	IFAD	70%	BANGLADESH
AFRICA I	470	MICRO-FINANCE	IFAD	31%	BENIN
LATIN AMERICA & CARIBBEAN	494	SEMI-ARID NORTH-EAST	IFAD	8%	BRAZIL
LATIN AMERICA & CARIBBEAN	495	REGION SUROESTE - II	IFAD	31%	DOMINICAN REPUBLIC
ASIA	506	JHARKHAND-CHHATTISGA	IFAD	5%	INDIA
ASIA	539	PIDRA	IFAD	15%	INDONESIA
AFRICA I	488	FODESA	IFAD	16%	MALI
NEAR EAST AND NORTH AFRICA	476	PNRMP	IFAD	7%	PLO/PA
LATIN AMERICA & CARIBBEAN	467	PUNO-CUSCO	IFAD	16%	PERU
NEAR EAST AND NORTH AFRICA	501	NORTH KORDOFAN	IFAD	28%	SUDAN
AFRICA I	486	RURAL FINANCE	IFAD	47%	GAMBIA, THE
AFRICA II	482	DEV. SUPPORT PROG	IFAD	47%	UGANDA
AFRICA II	521	SM'HOLDER PROGRAMME	IFAD	16%	ZAMBIA
AFRICA II	490	SISP	IFAD	10%	ZIMBABWE

Appendix VI

Service Providers, Responsibilities and Quality Assurance in the IFAD Project Cycle

Resources	Stage of Project Cycle										
	COSOP	Formulation	Appraisal	Project Start up	Implement-ation	Supervision of implementation	Loan Disbursement / Procurement	Mid Term Review (MTR)	Completion Report	Interim Evaluation	Completion Evaluation
Initiator	CPM	CPM	CPM	CPM	Borrower	CPM	Project	CPM	CPM	OE / PD	PMD
Borrower country	Partner	Propose project outline	Feedback on proposed design	Implementing agency should lead	-	Participate in SM and implementing recommendations	Preparing W/As and supporting documents	Prepare draft MTR for IFAD review	Prepare interim completion report	Part of CLP	Part of CLP Provide logistic support
Responsible	CPM	CPM	CPM	CPM (Except for SUW)	Borrower	CI	Controller's Office & CI	CPM	CPM	OE	OE
Contracts resources to assist	CPM	CPM	CPM	CPM / Executing Agency	CPM / Executing Agency	CI		CPM	CPM PMU	OE	OE
Resources used	Consultants	FAOIC Consultants	Consultants IFIs Cofinanciers	Consultants Agency staff CI for SUW	Consultants Agency staff	CI staff Consultants	Co-operating institution	Consultants	Consultants FAOIC	Consultants FAOIC	Consultants
Quality assurance processes	Project Design Team (PDT)	PDT	PDT	None	PSR from supervision	PSR (direct supervision – none)	CI / IFAD loan admin processes	CPM	CPM	OE	OE
Formal QA step	PDT/OSC	TRC / OSC	OSC	Meets conditions for effectiveness /disbursement	Project Portfolio Review	None	External audit of project accounts, followed up by?		IFAD project portfolio review	Agreement at Completion with CLP	Agreement at Completion Point

Appendix VII

Assessment of the Quality of Supervision: An example from an International Financial Institution*

Supervision is a *continuous* process involving the borrower, key stakeholders and the Bank over the life of an operation and plays a significant role in the ultimate success or failure of operations. According to the Operations Evaluation Department of the Bank, well-supervised projects are twice as likely to succeed as are poorly supervised projects.

Since 1997, QAG has assessed the quality of supervision of a total of more than 800 operations chosen at random from the annual portfolio of about 1500 operations under implementation.

QAG panels review several essential factors to determine supervision quality:

- The degree to which project performance is assessed realistically and reported candidly, with particular emphasis on achieving objectives;
- Whether emerging problems are being addressed promptly and proactively, incorporating global best practices adapted to country circumstances;
- Whether adjustments are made to project design to suit changing circumstances;
- To what extent the project adheres to Bank Safeguard Policies and fiduciary standards;
- Whether local capacity is being created to sustain project achievements.

In addition, QAG assessments look at Bank inputs and procedures for supervision including mission planning, staffing and budgeting as well as timeliness, transparency and candidness of reporting. Each operation is rated on a four-point scale - Highly Satisfactory, Satisfactory, Marginal and Unsatisfactory.

At the end of each exercise, QAG produces a Quality of Supervision Synthesis Report that is discussed with the Regions before being submitted to the Board's Committee on Development Effectiveness (CODE).

Since 1997 there has been a marked improvement in the quality of supervision. The percentage of operations found satisfactory or better supervised has increased from 63 percent to 90 percent in Fiscal Year 2002.

* World Bank (<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/QAG>)

Annex VIII

Core Learning Partnership

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