



**Document of the
International Fund for Agricultural Development**

Direct Supervision Pilot Programme

Corporate-Level Evaluation

**November 2005
Report No. 1687**

Map on cover page:
The fifteen countries included in the Direct Supervision Pilot Programme

Direct Supervision Pilot Programme

Corporate-Level Evaluation

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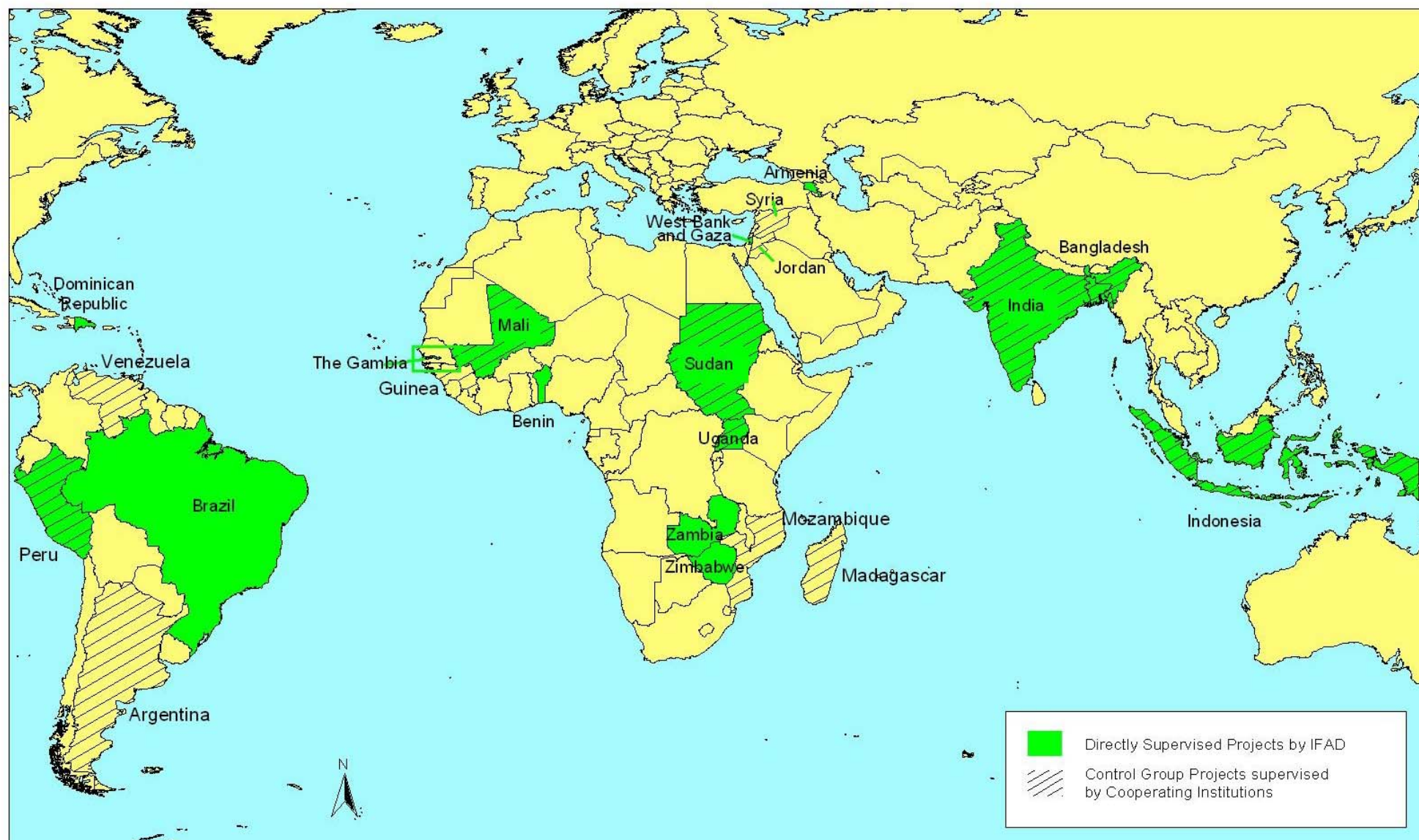
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* Annexes are available upon request from IFAD's Office of Evaluation (evaluation@ifad.org).

Abbreviations and Acronyms

AfDB	African Development Bank
AsDB	Asian Development Bank
AWPB	Annual Work Programme and Budget
CAF	Andean Development Corporation
CI	Cooperating Institution
CLE	Corporate-level evaluation
CLP	Core Learning Partnership
COSOP	Country Strategic Opportunities Paper
CPM	Country Programme Manager
DSPP	Direct Supervision Pilot Programme
EB	Executive Board
ESM	Evaluation of the Supervision Modalities in IFAD-Supported Projects
FPPP	Field Presence Pilot Programme
GC	Governing Council
IDB	Inter-American Development Bank
IEE	Independent External Evaluation
IFI	International Financial Institution
M&E	Monitoring and Evaluation
MFE	Methodological Framework for Project Evaluation
MSR	Minimum Supervision Requirements
MTR	Mid-term Review
OA	Office of Internal Audit
OE	Office of Evaluation
OED	World Bank Operations Evaluation Department
OL	Office of the General Counsel
OSC	Operational Strategy and Policy Guidance Committee
PA	Western and Central Africa Division
PDT	Project Development Team
PF	Eastern and Southern Africa Division
PI	Asia and the Pacific Division
PIDRA	Post-crisis Programme For Participatory Integrated Development in Rainfed Areas (project directly supervised by IFAD in Indonesia)
PL	Latin America and the Caribbean Division
PM	Project Manager
PMD	Programme Management Department
PMU	Project Management Unit
PN	Near East and North Africa Division
PPMS	Project and Portfolio Management System
PPR	Project Portfolio Review
PSR	Project Status Report
PT	Technical Advisory Division
RIMS	Results and Impact Management System
TM	Task Manager
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
USD	US Dollar

Corporate Level Evaluation of IFAD's Direct Supervision Pilot Programme



Direct Supervision Pilot Programme

Corporate-Level Evaluation

Agreement at Completion Point

A. Introduction and the Core Learning Partnership

1. In 2004/05, IFAD's Office of Evaluation (OE) conducted a corporate-level evaluation (CLE) of the direct supervision pilot programme (DSPP), approved by the Governing Council in February 1997. The evaluation was undertaken in the second half of 2004 and first half of 2005. The evaluation report was finalized in mid-July 2005. A round-table evaluation workshop with representatives of IFAD management and staff, project and government authorities involved in the DSPP, IFAD cooperating institutions (CIs) and others was held in Bangkok on 28-29 July 2005 to discuss the evaluation's overall results and seek the views of the participants¹ on the draft Agreement at Completion Point (ACP). The ACP was discussed with the IFAD Evaluation Committee during the latter's 40th session on 2 September 2005. It was also considered and adopted by the IFAD Executive Board during its 85th session, held from 6-8 September 2005.

2. The ACP illustrates an understanding of the key evaluation findings and recommendations, proposals to implement them and a commitment to act upon them. The ACP builds on the evaluation's results and the discussions that took place during the round-table workshop. Section B of the ACP includes the main evaluation findings, and section C contains recommendations agreed by IFAD management.

3. The evaluation's core learning partnership (CLP)² comprised the following representatives: the IFAD Assistant President of the Programme Management Department (PMD), the Director of the Office of Evaluation (OE), one country programme manager from each of the five regional divisions in PMD, the senior portfolio manager in PMD, one senior loans officer from the Office of the Controller, and the senior evaluation officer from OE responsible for the DSPP evaluation. The CLP met on a number of occasions and provided useful comments, in particular during preparation of the approach paper, finalization of the draft evaluation report and preparation of the draft ACP.

B. Main Evaluation Findings

4. There is a consistent trend in the overall analysis of the evaluation which demonstrates that, compared with supervision by CIs, direct supervision has greater potential to contribute to better development effectiveness at the project level and, at the same time, allows for more attention to IFAD's broader objectives at the country programme level, such as policy dialogue and partnership building. Moreover, through direct supervision IFAD has been able to place special emphasis on issues of prime concern, such as gender mainstreaming, targeting and the building of grass-roots institutions.

5. Governments and other development partners at the country level have unanimously expressed deep appreciation for the more frequent contacts with country programme managers (CPMs), which has been facilitated by IFAD's direct supervision activities. The same partners conveyed that they find

¹ This included directors/coordinators of the projects included in the DSPP, government representatives from the countries in which IFAD undertook direct project supervision, representatives of IFAD management, country programme managers and other staff, officials from various international development organizations, IFAD cooperating institutions and others.

² Members of the CLP included the following IFAD staff: Mr Nigel Brett, Mr Jim Carruthers, Mr Pablo Glikman, Mr Shyam Khadka, Mr Luciano Lavizzari, Mr John McGhie, Mr Ashwani Muthoo, Ms Rasha Omar, Mr Mohamed Tounessi and Mr Joseph Yayock.

it more useful to deal directly with IFAD staff rather than with CI representatives. In this regard, for example, the partners conveyed that the response rate and follow-up on implementation issues are faster through direct supervision than supervision by CIs.

6. Direct supervision has contributed to developing IFAD's knowledgebase. In particular, the CPMs responsible for direct supervision have acquired knowledge of supervision processes, project implementation and general rural development issues in the countries concerned. This knowledge has enabled them to better design and implement new operations. However, the knowledge gained at the CPM level has not been systematically shared with others or sufficiently institutionalized, which is one of the main shortcomings of the DSPP.

7. The evaluation concludes that direct supervision allows the CPM to strengthen country-level coordination both within the context of IFAD operations and with the development community at large. It also facilitates the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities, which are mostly available at the country level, given that the majority of IFAD's international and bilateral partners have delegated an increasing amount of authority to their country representatives.

8. The evaluation also found that IFAD lacks a robust quality assurance system for direct supervision. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. The evaluation concluded that better quality assurance would have led to even more positive results under the pilot programme.

9. The average cost of direct supervision per project per year (USD 93 300) is higher than the average cost of supervision by CIs (USD 61 461).³ However, the evaluation argues that costs should not be seen in isolation from the benefits that the DSPP has demonstrated. Moreover, from discussions with the United Nations Office for Project Services (UNOPS), it is clear that the amounts paid by IFAD to UNOPS for supervision need to be increased if UNOPS is to deliver the type and quality of service IFAD requires in the future. In parallel, the evaluation feels that there is potential for efficiency gains in direct supervision if, for example, the fiduciary responsibilities related to supervision are entrusted to competent national entities or greater use is made of local consultants for implementation support activities.

10. The evaluation revealed that not all concerned have the same understanding of the notion of supervision. There is also a lack of adequate clarity on the roles and responsibilities of IFAD, CIs, project staff and government authorities in supervision processes. Additionally, many partners at the country level felt the term "supervision" – when applied to implementation aspects of projects, rather than to the fiduciary aspects – has a paternalistic undertone and felt uneasy with its continued use.

11. The evaluation notes that IFAD management's attention appeared to gradually diminish following the approval of the DSPP by the Governing Council. This is illustrated by the fact that IFAD did not fully implement all the decisions of the Governing Council. For instance, a mid-term review of the DSPP was not undertaken; no integrated analytic accounting system was established to track costs of the DSPP; and no monitoring and assessment system was set up to measure the performance and impact of direct supervision. One explanation management provided for this was that the zero-growth budget policy adopted by IFAD during the DSPP period may have played an indirect but important role. According to the evaluation, however, the Executive Board also did not exercise adequate oversight to ensure that IFAD fulfilled its commitments under the DSPP. The evaluation believes that

³ The actual amounts paid at present to UNOPS is around USD 79 000. It is worthwhile to note this, as UNOPS is serving as CI in a large majority of IFAD-funded projects. Hence, it may be appropriate to use the UNOPS supervision costs as the benchmark for assessing direct supervision costs. Moreover, it should be noted that IFAD conducted on average two supervision missions per project per year in the context of the DSPP, as compared with one mission by CIs.

the outcome of the DSPP would have been even more significant had all the requirements laid down by the Governing Council been implemented.

C. Recommendations Agreed Upon by IFAD

12. The ACP includes five key recommendations, which are mutually reinforcing. They should be all implemented fully to ensure that the desired impact is achieved in IFAD's future efforts in the area of supervision and implementation support. The evaluation notes that the implementation of the recommendations below will entail new responsibilities for PMD that will require the allocation of additional staff and financial resources as well as new competencies and skills.

Recommendation 1: Develop a comprehensive supervision⁴ and implementation support policy for IFAD

13. The Fund should develop a specific overall supervision and implementation support policy for its operations which: (a) takes into consideration recent initiatives that are broadly related to supervision and implementation support (e.g. the Field Presence Pilot Programme); and (b) builds on the elements contained in IFAD's new operating model. The policy should include the elements described below.

14. **Supervision of fiduciary aspects.** In close collaboration with partner governments, the Fund is responsible for ensuring that the resources it provides are used for the intended purposes. In this regard, to undertake the supervision of fiduciary aspects, IFAD would – on a case-by-case basis, depending on the project or programme circumstances – decide whether to subcontract a competent national, regional or international entity to perform such functions.⁵ Preference would be given to national entities, as and where reliable institutions exist, since their involvement would contribute towards building national capacities and reducing costs associated with the supervision of fiduciary functions. With regard to national entities, utmost attention would be given to ensuring that there is no conflict of interest between the entity and the IFAD operation under consideration. IFAD might itself consider to undertake the supervision of fiduciary aspects with appropriate training of CPMs. In choosing a particular alternative, professional competence, integrity and the capacity to accomplish the task in a timely fashion would constitute overriding considerations.

15. **Implementation support.** In this regard, the evaluation recommends that the policy make explicit that:

- (i) IFAD would be responsible for providing direct implementation support in all new projects and programmes following the approval by the Executive Board of the proposed supervision and implementation support policy. The CPMs would consequently be responsible for the process, content and outputs of direct implementation support activities. For projects that have not yet reached the mid-term review, IFAD would consider how the projects could take this policy into account.⁶

⁴ The term “supervision” from now onwards in this document means “supervision of the fiduciary aspects” related to IFAD financing. See recommendation 2 for the definition of supervision.

⁵ In this regard, it will be important to establish clear criteria to facilitate the decisions of management and also define the means to verify that potential partners actually meet the required standards and criteria.

⁶ The evaluation recommended that IFAD should undertake implementation support in all its operations globally. However, management felt that there would be limited value added in undertaking direct implementation support in projects and programmes that are already effective and have only a few years left of implementation before closing. Moreover, the approach outlined in paragraph 15(i) would reduce the administrative burden to the Fund in arranging the transfer of all ongoing projects and programmes entrusted to CIs to IFAD for direct implementation support. Notwithstanding the foregoing, it is useful to note that the same evaluation recommendation states that: “Until the required level of financial resources are made available to the Fund,

- (ii) Such support would cover all aspects of IFAD country programmes, both at the project level and beyond. With regard to the latter, implementation support could include key aspects related to IFAD's catalytic role, such as policy dialogue, partnership-building, and knowledge management. Moreover, implementation support would pay particular attention to the human dimensions of IFAD operations, including aspects related to gender mainstreaming, participatory processes and empowerment, institution-building, and the development and functioning of monitoring and evaluation systems. Grant-financed activities under the new grants policy should also be explicitly covered.
 - (iii) The role of partner governments should be given due emphasis and specified. To this end, and where possible and required, governments will continue to be provided with capacity-building assistance to enhance their capacity to undertake more effectively the: (a) supervision of fiduciary aspects of a loan or grant agreement; and (b) ongoing monitoring of project/programme activities and providing implementation support, as required.
16. It is fundamental that the additional resource requirements for implementing the new policy be clearly articulated in a comprehensive and explicit manner by IFAD. This will require a detailed cost analysis, particularly of the elements described in paragraphs 14 and 15 as well as an assessment of the skills and competency of current CPMs and other concerned staff. Based on the aforementioned analysis, IFAD would develop a full proposal for meeting the additional resources involved in implementing the new policy.
17. The success of the new policy will also be determined by the support provided by IFAD management and the conducive environment it creates for this purpose. For example, management will need to ensure that appropriate opportunities are introduced for periodic staff training, establish an incentives framework and platforms for the sharing of knowledge acquired by CPMs, and allocate due time for reviewing experiences in implementation of the policy. The Board must also play a proactive role in exercising oversight in implementation of the new policy and in approving administrative budgets for this purpose.
18. The policy should be evaluable and include a roll-out and implementation plan with performance indicators that can be monitored periodically. In the interim period between now and the approval of the new policy, IFAD would continue to provide direct supervision and implementation support (as outlined in paragraphs 14 and 15) in ongoing projects/programmes in the countries included in the DSPP. Any additional projects would be approved by the Executive Board on a case-by-case basis only after legal authority has been provided by the Governing Council.
19. A separate section on supervision and implementation support should be included on a standing basis annually in the IFAD Portfolio Performance Report. The section should provide an analytic account of the opportunities and challenges in this area, as well as identify key lessons learned. Moreover, it should provide an indication of ongoing operational measures introduced by IFAD to address emerging issues.
20. The undertaking of supervision of fiduciary dimensions and implementation support will require revisiting, inter alia, Article 7, Section 2(g), of the Agreement Establishing IFAD.
21. Other integral aspects that the policy should consider are contained in recommendations 2 to 5.
22. **Implementation time frame:** The new supervision and implementation support policy would be presented to the Executive Board by mid-2007.

additional staff recruited in PMD and their competencies and skills developed and upgraded, IFAD may consider a phased approach to expand implementation support in all operations.”

Recommendation 2: Definition of supervision

23. The evaluation recommends that the concept of “supervision” as used by IFAD since the Report on the Joint Review of Supervision Issues and the Minimum Supervision Requirements be understood from now onwards as consisting of two distinct yet operationally linked components:

- (i) supervision of fiduciary aspects; and
- (ii) supporting programme and project implementation.⁷

24. The function related to supporting programme and project implementation might include, inter alia, undertaking the periodic implementation support missions (previously called supervision missions), providing guidance for the preparation and implementation of annual work plans and budgets, following up on the recommendations of implementation support activities, identifying implementation problems based on interactions and dialogue with project authorities and other partners at the country level, providing timely support in problem-solving throughout project implementation both during and outside missions, facilitating access to knowledge and information to improve implementation, and organizing occasional ad hoc missions to provide technical assistance to projects or programmes, as required. This would also include oversight of project and programme implementation, for example, in terms of monitoring the achievement of physical targets.⁸

25. **Implementation time frame:** This definition would be utilized within the framework of the new comprehensive supervision and implementation support policy for IFAD.

Recommendation 3: Supervision and implementation support in the framework of the COSOP

26. The evaluation recommends that an overall approach to supervision and implementation support be developed at the time of preparing the country strategic opportunities papers (COSOPs).⁹ This would take into account the need to supervise the fiduciary dimensions of all operations (as per the proposal in recommendation 1), and the provision of implementation support to the country programme, in addition to the traditional support provided to projects so far. More specifically, supervision of fiduciary dimensions and implementation support should be seen and planned in a holistic manner with the country programme at the centre. The country-level strategic thrusts, where applicable, will be supplemented by project-specific requirements. These will be articulated in the project formulation reports.

27. The DSPP evaluation report includes other specific recommendations on this topic. IFAD concurs with all these recommendations and plans to implement them. However, it also feels that some of the recommendations are too detailed for inclusion in the ACP, which should capture mainly the broad directions for future action by IFAD.

28. **Implementation time frame:** The recommendation should be implemented in all COSOPs that are prepared after the approval by the Executive Board of the new supervision and implementation support policy. The key responsibility for implementation of this recommendation will remain with each regional division in PMD.

⁷ This could also be called “implementation support”.

⁸ While the CPMs would be responsible for the overall output of such activities as outlined in paragraph 24, the activities may be undertaken in a variety of modalities including, for example, directly by the CPM or by making use of the services of individual consultants or local institutions.

⁹ In fact, the COSOP could include a section devoted to supervision and implementation support matters.

Recommendation 4: Quality assurance system

29. Within the framework of an overall, enhanced quality assurance system at IFAD, there is a need to significantly improve quality assurance mechanisms for the supervision of fiduciary dimensions and implementation support activities. The evaluation recommends that:

- (i) IFAD should establish a management review committee within PMD at the departmental level devoted to reviewing supervision and implementation support activities, results and related operational issues. The committee would meet at least twice a year for this purpose;
- (ii) Six-monthly reviews of supervision and implementation support activities should be undertaken at the regional division level within PMD. The summary of discussions at these meetings should be circulated to all PMD divisions; and
- (iii) Building on the experience of other international financial institutions and United Nations and other development organizations, an IFAD-specific quality assurance system should be established, which would review aspects of supervision and implementation support. The Fund would need to thoroughly reflect upon the most appropriate structure for such a group, which would ensure the most objective and independent review possible of its supervision and implementation support efforts.¹⁰ The introduction of such a quality assurance group should take into consideration the mandates and performance of existing quality control systems within IFAD, such as the project development teams, the Technical Review Committee, and the Operational Strategy and Policy Guidance Committee.

30. **Implementation time frame:** PMD would implement recommendations 4(i) and 4(ii) by December 2006 and report to the Board on their progress in April 2007. Recommendation 4(iii) would be implemented with the framework of the Action Plan: IFAD Management's Response to the IEE by September 2007.

Recommendation 5: Learning and knowledge management

31. Necessary incentives need to be provided to IFAD staff, partners and beneficiaries to share the knowledge they acquire. For example, time needs to be carved out in the CPMs work load to accord higher priority to sharing knowledge generated through supervision and implementation support. Documenting and sharing knowledge should be included as an indicator in assessing the annual performance of CPMs. These recommendations would be implemented from the start of 2007.

32. Specific instruments need to be established for facilitating learning and knowledge-sharing inside and outside of IFAD. In particular, time should be reserved on a standing basis in the CPM forum for discussing issues and sharing knowledge generated through supervision and implementation support activities. Each project mid-term review and project completion report should include a specific treatment of supervision and implementation support issues, as should all evaluations undertaken by OE. Summaries of all OE evaluations should be posted on the Evaluation Knowledge System web site. The project and country status reports should be reformatted to include a narrative section on supervision and implementation support. Other instruments, such as peer reviews at the PMD divisional level in relation to implementation support activities, would also be introduced.

33. Monitoring and evaluation systems at the project level need significant strengthening, if they are to contribute effectively to learning and knowledge generation by IFAD, its partners and beneficiaries.

¹⁰ Although the ACP includes slightly different language in this paragraph as compared with the evaluation report, there is no deviation from the essence and fundamentals of the concerned recommendation arrived at by the evaluation.

Moreover, in line with the new operating model, it is necessary to assist in developing integrated monitoring and evaluation systems at the country level. Every new COSOP developed starting from 2007 would include a proposal for setting up a monitoring and evaluation system at the country level, including objectives, resource allocation and operational modalities. IFAD would periodically organize workshops at the country and regional levels as mechanisms to cross-fertilize experiences and share knowledge.

34. Finally, IFAD would build on the experiences of other international financial institutions and United Nations and other development organizations and make more comprehensive use of information technology for knowledge management purposes in relation to supervision and implementation support. In this regard, it is recommended to expand the existing Programme and Project Management System (PPMS) so that it can carry updated summaries of supervision and implementation support activities at all times. An enhanced PPMS, when ready, would be made accessible to external partners through the IFAD web site.

35. **Implementation time frame:** The time frames for the implementation of each of the above recommendations are included in the corresponding paragraphs. PMD and its regional divisions are responsible for their implementation.



International Roundtable Workshop held in Bangkok, Thailand, 28-29 July 2005. From Left: Mr Luciano Lavizzari, Director, OE, Mr Jim Carruthers, Assistant President, PMD, Mr Ashwani Muthoo, Senior Evaluation Officer, OE. Photo provided by local photographer

Direct Supervision Pilot Programme

Corporate-Level Evaluation

Executive Summary

I. INTRODUCTION

1. **Background.** In February 1997, the IFAD Governing Council adopted resolution 102/XX on Loan Administration and Supervision of Project Implementation, together with a Five-Year Plan of Action. The resolution stated that IFAD “may supervise specific projects and programmes financed by it”. According to the action plan, no more than 15 IFAD-initiated projects were to be directly supervised and administered during the five-year period. This initiative, including the 15 projects, has since been referred to as the Direct Supervision Pilot Programme (DSPP). The Governing Council resolution entered into effect on 21 February 1997 and will cease to be operational five years after the date of effectiveness of the last approved project to be directly supervised by IFAD.¹ The Governing Council also decided that the DSPP should not entail any cost increases and that IFAD should use the same funds that would have been spent on supervision by cooperating institutions (CIs) to cover its direct supervision activities.

2. In order to assess the results of the action plan, in 2002/2003 the Office of Evaluation (OE) undertook an Evaluation of the Supervision Modalities in IFAD-Supported Projects (ESM). The objectives of the ESM were to “evaluate the effectiveness of current supervision modalities against the minimum supervision requirements [MSRs] ... and other indicators of quality, and review the achievements under the Five-Year Plan of Action”. It is important to note that most of the directly supervised projects were in their early stages of implementation at the time of the ESM. Hence, although the ESM provided concrete findings on supervision through CI, it provided only an overview of the emerging characteristics of IFAD’s direct supervision efforts.

3. **DSPP objectives.** The overarching objective for embarking on the DSPP was to enable the Fund to acquire first-hand knowledge from supervision activities and to incorporate lessons learned from ongoing operations more effectively into its project design work. It was also to provide IFAD with “knowledge of the supervision function, of what are the costs of an adequate project supervision and of the development impact and human dimension of the projects in its portfolio. The Fund’s involvement in direct supervision would also complement and improve cooperating institutions’ own activities (mainly the human dimension of projects/programmes)”. Although enhancing development effectiveness² was not an explicit objective, direct supervision was expected to contribute to improving implementation performance and project impact.

4. **Evaluation objectives.** The main objective of the corporate-level evaluation (CLE) was to make an overall assessment of the DSPP’s achievement in enhancing the implementation and impact of IFAD-funded operations. More specifically, the evaluation had the following key objectives: (a) compare and contrast direct supervision by IFAD with selected, relevant examples of supervision undertaken by CIs; (b) examine the processes established, alternative approaches and the experiences of country programme managers (CPMs) in undertaking direct supervision. This would include comparison with the approaches, systems and experiences of other international financial institutions (IFIs); (c) assess the efficiency of the direct supervision modality; and (d) examine the systems established to capture the experience and insights from direct supervision and the ways in which this has been of benefit to IFAD’s project design processes and implementation support activities.

¹ The resolution will cease to be effective in June 2006, as the last project (India) became effective in June 2001.

² For the purpose of this evaluation, the term ‘development effectiveness’ encompasses the extent to which the DSPP’s overall objectives have been met, the efficiency in implementing the pilot programme and the contribution of direct supervision in improving project implementation and potential project impact.

5. **Evaluation methodology.** The approach for the direct supervision evaluation has been to build on the methodology and results of the ESM. The criteria³ used in the CLE to assess the DSPP include: (a) the *relevance* of direct supervision in relation to the DSPP's objectives at the time of approval but also in today's context; (b) the *effectiveness* of the DSPP, measured against the achievement of the stated objectives of the programme and using the indicators specified for measurement of the impact of direct supervision;⁴ (c) the *efficiency* of direct supervision; and (d) an analysis and comparison of the actual and potential *impact* of the projects included in the direct supervision pilot programme with those supervised by CIs.

6. The evaluation process was planned to allow for triangulation of evidence and the views obtained from the main actors in the DSPP (the key government focal point at the national level, together with implementing agencies, beneficiaries, and the IFAD staff concerned). Moreover, OE had completed evaluations of three directly supervised projects⁵ in the past few years, which provided valuable additional sources of information and assessments. Since 2003, OE has also undertaken three country programme evaluations⁶ that included assessment of one directly supervised project in each of these countries. Relevant information and reports from the Independent External Evaluation (IEE) of IFAD, which analysed in detail two directly supervised projects,⁷ have also been utilized. Finally, four projects⁸ in the evaluation control group have either been evaluated by OE or included in the IEE.

7. **Evaluation scope.** The evaluation involved a comparison of the directly supervised projects with 15 projects supervised by CIs (the latter therefore represented the evaluation's control group). That is, three CI-supervised projects per region were included in the control group based on a set of selection criteria agreed with the evaluation's core learning partnership (CLP).⁹ The list of projects included in the DSPP and the control group for the purposes of the evaluation can be seen in Appendix I.

8. **Evaluation process.** The CLE process began with the preparation of an approach paper, which provided an opportunity for developing a solid understanding of the evaluation's objectives, scope, methodology, time frames and expected outputs. The evaluation benefited from the views of the CLP. An external reviewer¹⁰ with wide experience in project supervision issues was contracted to advise OE at critical phases during the evaluation and to review key evaluation outputs. Moreover, OE undertook a thorough peer-review process within the division to improve the evaluation's overall quality.

9. The evaluation included the following activities: desk reviews of the 15 directly supervised projects and 15 projects in the control group; interviews with IFAD management and staff; field work in 13 of the 15 directly supervised projects and in eight control group projects;¹¹ discussion with the United Nations Office for Project Services (UNOPS) and selected IFIs at their headquarters and at the country level; direct supervision cost analysis; preparation of an early feedback note on an experimental basis, with the objective of sharing the emerging evaluation results and sensitizing IFAD

³ For definitions of the criteria, see Methodological Framework for Project Evaluation (document EC 2003/34/W.P.3).

⁴ These impact indicators were developed and presented by IFAD management to the Executive Board in April 1999 (see Box 1 of the present document and document EB 99/66/R.10/Rev.1).

⁵ In Armenia, the Gambia and Uganda.

⁶ In Bangladesh, Benin and Indonesia.

⁷ In Armenia and India.

⁸ In Bangladesh, Guinea, Indonesia and Peru.

⁹ The role of the CLP was to provide comments and input at several key stages in the evaluation process (for a definition of the CLP, see paragraph 33 in the IFAD Evaluation Policy, document EB 2003/78/R.17/Rev.1). The members of the CLP for the DSPP evaluation were: Mr Nigel Brett, Mr Jim Carruthers, Mr Pablo Glikman, Mr Shyam Khadka, Mr Luciano Lavizzari, Mr John McGhie, Mr Ashwani Muthoo, Ms Rasha Omar, Mr Mohamed Tounessi and Mr Joseph Yayock.

¹⁰ Mr Hans Wyss, former Director of Operations at the World Bank.

¹¹ Hence field work was undertaken in 13 countries of the DSPP (Gaza and the West Bank and Zimbabwe were excluded).

management before the draft evaluation report was ready for discussion; organization of a round-table workshop to discuss the evaluation's results and lay the foundations for the agreement at completion point of the evaluation; and discussion at the September 2005 sessions of the IFAD Evaluation Committee and Executive Board.

10. The draft evaluation report was shared for review and comments with: staff in all the projects included in the DSPP and the control group, IFAD management and other staff, selected IFIs and CIs, and the government officials concerned at the national level in countries in which IFAD has funded a directly supervised project. Their comments have been included in accordance with the provisions in paragraph 42 of the IFAD Evaluation Policy.

II. THE EVOLUTION OF DIRECT SUPERVISION IN IFAD

11. **Origin of direct supervision.** The Executive Board reviewed the Joint Review on Supervision Issues for IFAD-Financed Projects in December 1996. The report was submitted to the Governing Council in February 1997, together with the Five-Year Plan of Action for the DSPP. The plan¹² included the following actions, together with time frames for their implementation by IFAD:

- “agreement by Governing Council for IFAD to supervise test projects;
- criteria to be used for selection of test projects to be submitted to Executive Board;
- 15 test projects to be determined (3 projects per region);
- identify and negotiate with reputable private national or international organizations to undertake procurement and financial administration;
- progress report of test projects to be reported to Executive Board;
- analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs;
- mid-term review of supervision of test projects to be submitted to Executive Board; and
- establish monitoring system to evaluate the test projects.”

12. **DSPP modality.** One important feature of the DSPP has been the cooperation between IFAD and UNOPS. The latter was contracted in July 1998 by IFAD to undertake the supervision of fiduciary aspects (such as procurement of good and services, disbursements, ensuring compliance with auditing and financial requirements) in the context of the DSPP. UNOPS was paid a standard amount equal to USD 12 000 per year per project for their services in the specified areas. IFAD's specific role in the DSPP was thus to arrange and conduct supervision missions, organize the necessary follow-up and provide the overall implementation support required by borrowers and their projects.

13. **Monitoring and progress reporting.** IFAD management presented indicators for the measurement of the impact of direct supervision to the Executive Board in April 1999 (see Chapter II, Box 1). IFAD further committed to reviewing the indicators at least one year after most directly supervised projects had become fully operational. For comparative analysis, the Report of the Joint Review on Supervision Issues for IFAD-Financed Projects explicitly requested that a control group of CI-supervised projects, similar in other respects to the directly supervised projects, be identified and monitored.

14. In terms of reporting, the Governing Council decided that the progress, lessons learned and results of the pilot programme would be reported annually to the Executive Board. Moreover, IFAD would conduct a mid-term review (MTR) of the supervision of test projects, also to be submitted to the Board. In approving OE's work programme for 2004 during its session in December 2003, the Executive Board requested OE to undertake a CLE on the DSPP. Finally, the Governing Council decided that the President shall submit the results of IFAD's experience and conclusions on the DSPP

¹² The action plan can be seen in its original format in Appendix II.

to the Executive Board for its review before the corresponding resolution would cease to be operational (i.e. in June 2006).

15. **Implications of selected new IFAD initiatives.** The growing emphasis on ‘country presence’¹³ will have important consequences on the modus operandi and costs of both direct supervision and supervision by CIs. For instance, IFAD’s country presence will have a role in supervision activities, ranging from simply facilitating the organization of supervision missions to the more substantive role of providing backstopping and follow-up on implementation issues. Furthermore, management is developing a proposal for the Fund’s new operating model. There are two elements in this model that are likely to have important implications for IFAD’s supervision activities. These are: (a) the shift in the unit of account from the project to the country programme level; and (b) the utilization of the Results and Impact Management System (RIMS) to capture and analyse data systematically according to a core set of indicators. IFAD will need to pay attention to these aspects in its future supervision activities.

III. DIRECT SUPERVISION ANALYSIS

16. **Selection of the pilot projects.** Most of the 15 projects were selected according to the criteria presented by IFAD to the Executive Board in September 1997. Two projects (in Gaza and the West Bank and Zimbabwe) have been adversely affected by political instability. While the inclusion of the Zimbabwe project in the DSPP was justified, because the unexpected events in the country could not have been foreseen at the time of Board approval, the inclusion of the Gaza/West Bank programme in an unstable country situation did not reflect an appropriate choice for inclusion in the pilot programme. The evaluation also notes that the Bangladesh project was not an appropriate choice in that it was not innovative, replicating broadly the design of a previous IFAD-financed project in the country.

17. **Approaches to direct supervision.** There have been various approaches to direct supervision in the 15 pilot projects. These include: (a) intensive CPM involvement in all steps of direct supervision, including fiduciary aspects. In these cases, the role of UNOPS was largely limited to disbursement processing; (b) the CPM completely delegates fiduciary aspects to UNOPS and focuses on implementation support matters, although s/he may not write mission reports and may not be as closely involved in the annual work programme and budget processes; (c) fiduciary aspects are dealt with by UNOPS, and the CPM appoints consultants who would be largely responsible for leading supervision missions and producing the corresponding documentation. The CPM may participate in key stages of the missions. In this approach, the CPM takes a management role and focuses on mission deployment and ensuring that all outputs are produced as required; and (d) this approach is specific to those countries in which IFAD has some form of local representation that plays a part in direct supervision by participating in supervision missions and following up between missions. The distribution of the pilot projects across the four approaches has been fairly evenly spread, with three to four projects each following approaches (a)-(c) and two projects using approach (d).

18. **Implementation of direct supervision.** The evaluation reviewed the implementation experience of direct supervision activities as compared with those under supervision by CIs. Its report observes that supervision planning during preparation of country strategic opportunities papers (COSOPs) and the project design phase was given limited attention in both forms of supervision. On another issue, the evaluation notes that the continuity of CPMs in direct supervision activities is important, and that in some pilot projects, there have been more than three CPMs allocated to the project in the last five years. In terms of supervision mission frequency and duration, the directly supervised projects have received close to two supervision missions per year, against one supervision mission for the control group projects. The average mission days per project per year were 15.2 days for direct supervision as compared with 11.2 days for the control group.

¹³ In December 2003, the Executive Board approved the field presence pilot programme in 15 countries globally.

19. The composition of supervision mission teams in the directly supervised projects and in the control group has not been significantly different, with both groups making use of local consultants. There has also been more consultation between IFAD, the country and the project authorities before deciding what expertise to include in each supervision mission, especially in the context of the DSPP. Direct supervision missions on average comprised 2.6 personnel, compared with 2.5 for the control group.

20. So far, eight of the projects directly supervised have benefited from MTRs, whereas 11 projects in the control group have had an MTR. This is understandable, given that the average implementation period of the directly supervised projects (4.8 years) is less than that of the control group (6.5). In the case of the DSPP, the MTR has offered an opportunity to formalize a number of decisions made during the regular supervision missions that preceded the MTR. That is, given the more constant and intensive interaction between IFAD and the project authorities in directly supervised projects, CPMs have been able to stay on top of implementation issues and make key decisions within the framework of supervision missions themselves, rather than wait until the MTR stage. Hence, the MTR does not appear to have been critical in the context of the DSPP. It *has* been a critical instrument in CI-supervised projects, as it has provided CPMs the possibility of conducting a comprehensive review of what has been done and of introducing the required corrective measures to project design and implementation arrangements.

21. The quality of supervision reports varied across the directly supervised projects. In the terms of reference of and reports on direct supervision, attention largely focused on implementation issues and on physical and financial achievements, and less on lessons learned and impact. The same may be said of supervision reports prepared by CIs. However, supervision reports of the DSPP projects provided better coverage of issues of concern to IFAD, such as gender mainstreaming, monitoring and evaluation, beneficiary participation, building of grass-roots institutions and so on. Moreover, the documentation of the directly supervised projects was more complete and more easily accessible at IFAD than that of the control group.

22. In terms of feedback, the evaluation concludes that the DSPP did not systematically follow the set procedures established for feedback. Often an informal mode of communication was chosen rather than following official channels. In spite of the above, the evaluation notes that there is generally a faster response to project queries and follow-up on supervision recommendations under direct supervision than under CI supervision. The feedback in supervision undertaken by CIs is also erratic. Few CIs produce all the required documentation. The inadequate type and quality of reports and feedback bring up the critical issue of the current lack of quality assurance systems in the overall supervision activities of IFAD, which will be discussed later.

23. No notable difference in participatory processes was observed between IFAD direct supervision and supervision by CIs. However, there appears to be a clear preference for the increasing trend of conducting joint review missions (as organized by some IFIs) with the governments concerned, as opposed to traditional supervision missions. The term 'supervision', itself, was described by many partners at the country level as being top-down, one that did not reflect the partnership ethos between the country concerned and IFAD.

24. Project status reports (PSRs) are an important instrument in IFAD's overall monitoring and reporting system. In PSRs of directly supervised projects, there has been no analysis or lessons on direct supervision processes or information on costs. In addition, PSRs do not include ratings on the IFAD impact indicators for direct supervision, which were developed at the beginning of the DSPP. For CI-supervised projects, CPMs include an assessment of the CI's performance and assign a corresponding rating. For directly supervised projects, PSRs do not include a rating of IFAD's performance in direct supervision. With regard to the process in the preparation of PSRs, it must be noted that the PSRs of CI-supervised projects are done by the CPM concerned, whereas the same CPM responsible for direct supervision prepares the PSR for the project under his/her direct supervision.

25. One important message emerging from the evaluation is the very wide support by IFAD partners of direct supervision. Government authorities, development organizations and project authorities were all of the unanimous opinion that there were advantages in having a direct contact with IFAD through CPMs. For example, partners conveyed the view that direct communication and interaction with IFAD contribute to better implementation and a stronger partnership, be it in terms of policy dialogue, identification of future pipeline and cofinancing opportunities or knowledge-sharing. There was one case in which a criticism was not of direct supervision, as an approach, but of the frequent staff changes at the CPM level that the project had experienced. The perceived lack of seniority and qualifications of some staff assigned by IFAD for this task were also raised for some projects.

26. Fiduciary aspects (under the formal responsibility of UNOPS) of directly supervised projects perform better than those of the control group. This finding is consistent with the ESM finding that UNOPS tends to perform better than other CIs. As UNOPS is the only CI involved in the DSPP, it is not unexpected that there would be a higher level of performance than for the control group, which incorporates a variety of CIs.

27. **Project implementation performance.** The evaluation first compared project implementation performance using indicators and ratings contained in the PSRs for both the directly supervised projects and the control group. Thereafter, the evaluation used the same set of indicators included in the PSRs and, based on its own independent ratings, compared the implementation performance of the directly supervised projects with those supervised by CIs.

28. From the evaluation's analysis, it is evident that the directly supervised projects perform better than CI-supervised projects across the PSR indicators in terms of, for example: compliance with loan covenants (directly supervised projects were rated on average 3.4 as against 3.1 for CI-supervised projects);¹⁴ performance of M&E systems (3.2 for directly supervised projects against 2.6); availability of counterpart funds (3.5 against 3.2) and so on. One explanation might be more optimistic reporting by CPMs, who, as mentioned previously, are themselves responsible for the preparation of the PSRs. However, the evaluation's independent assessment also demonstrates that, on the whole, directly supervised projects have a better implementation performance as compared with CI-supervised projects across the PSR indicators. All rating scores may be seen in Chapter III, Tables 4 and 5.

29. The comparison of the directly supervised projects with the 15 projects in the control group was also developed by assessing the average time from approval to effectiveness. The analysis reveals more favourable performance by directly supervised projects. That is, the average time lag is 15.36 months for directly supervised projects as compared with 17.21 months for all other projects in the same country. Moreover, in terms of disbursement performance, the average rating by the evaluation team for directly supervised projects is 2.6 as compared with 1.9 for CI-supervised projects in the control group. For example, the average cumulative disbursement rate for all directly supervised projects in the fifth year of project implementation was around 62% as compared with 43% in the control group. Chapter III, Figure 1 provides more information on disbursement performance.

30. Finally, the evaluation reviews one indicator that is not included in the PSRs: the time overrun factor in project implementation (number of years/months a project is extended beyond the original completion date). Based on the calculations made by the evaluation, the overall time overrun for directly supervised projects is on average 0.54 years, as compared to 1.4 years for projects in the control group. Time overrun is an important indicator, as it reflects the soundness of design, but also the ability of the supervision process to recommend timely corrections and improvements during implementation, as and when required. Time overrun is also significant because it has an administrative cost implication for the Fund: additional supervision costs and related staff time need to be allocated for the time that projects run beyond their original completion date.

¹⁴ The rating scale used is from 1 to 4, where 1=negligible, 2=modest, 3=substantial and 4=high.

31. **The human (social) dimension in supervision and attention to key areas of IFAD's catalytic role.** There is evidence based on the evaluation's analysis that through direct supervision, as compared with supervision by CIs, IFAD has paid more attention to issues such as the targeting of women (rated 3.1 for directly supervised projects, compared with 2.5 for projects supervised by CIs); targeting the poor (rated 3.0 for directly supervised projects against 2.4); beneficiary participation; gender mainstreaming; participatory monitoring and evaluation and so on. These trends are by and large consistent with the ratings included in the PSRs of the directly supervised and control group projects. Direct supervision has also provided IFAD an opportunity to focus more on issues such as innovation (rated 3.2 against 2.5 for CI-supervised projects), partnership, knowledge management and policy dialogue, which according to the IFAD strategic framework contribute to improving project performance and impact. In each country exposed to direct supervision, according to the evaluation and partners at the country level, the presence of the CPM during supervision is seen as an opportunity to advance IFAD's broader objectives, such as those listed above. Chapter III, Figures 2 and 3 provide all comparative rating scores on the aforementioned indicators for the DSPP and projects supervised by CIs.

32. The evaluation's rating for knowledge management of directly supervised projects (rating 2.7) is only marginally better than that of projects in the control group (2.5). This is partly explained by the fact that, while the knowledge acquired through direct supervision at the individual CPM level was high, there was no systematic effort to document, analyse or share such learning from direct supervision. Moreover, no specific activities were conducted or resources allocated to knowledge management in the directly supervised projects, and their supervision reports did not emphasize lessons learned. The same is true for the projects in the control group. However, this is considered a particular shortcoming in the case of direct supervision, as knowledge management in the broader sense was a specific objective of the DSPP (which is not the case for CI supervision).

33. **Development effectiveness.** The first thing to note is that, contrary to the requirement of the action plan adopted by the Governing Council, no specific, ongoing monitoring and reporting mechanisms to trace project impact were established, neither at the individual project level nor for the DSPP as a whole. In addition, contrary to the recommendation in the Report of the Joint Review on Supervision Issues for IFAD-Financed Projects, "for comparative analysis a control group of CI-supervised projects similar in other respects to the directly supervised projects" was not identified and monitored. Nevertheless, the evaluation made efforts to analyse the development effectiveness of the directly supervised projects and compare them with projects in the control group.

34. The evaluation has undertaken three specific types of comparison that, taken together, provide an overview of the development effectiveness of the directly supervised projects in relation to the CI-supervised projects. Tables 6, 7 and 8 in Chapter III contain the specific rating scores that provide the basis for the analysis.

35. First, based on three indicators (quality of supervision recommendations, follow-up actions and support provided to the project), the *overall quality of supervision* was assessed (see Chapter III, Table 6). These indicators are also used by the World Bank's Quality Assurance Group in determining the quality of the Bank's supervision, which is considered an important ingredient in achieving development effectiveness. In fact, in one of their recent evaluations, the Operations Evaluation Department of the World Bank concluded that well-supervised projects are twice as likely to succeed as are poorly supervised ones. The DSPP evaluation's assessment according to the three indicators reveals a positive trend in favour of directly supervised projects. For example, quality of supervision recommendations is rated 3.3 for DSPP, compared with 2.9 for CI-supervised projects.

36. Second, the evaluation compared directly supervised and control group projects *using the 11 IFAD impact indicators for the DSPP*.¹⁵ By and large, the directly supervised projects do better than those supervised by CIs across all indicators (see Chapter III, Figure 4). For example, "identification

¹⁵ The list of impact indicators may be seen in Chapter II, Box 1.

of new project concepts for inclusion in the pipeline” is rated 2.9 for DSPP as compared with 2.1 for CI-supervised projects. However, the control group projects perform marginally better in terms of timeliness of reporting (rated 2.9 for projects supervised by CIs, compared with 2.8 for DSPP). The reason is partly that, as subcontractors, CIs pay specific attention to project reporting. This issue has not been given the same level of attention in direct supervision, given the constant contact between IFAD and the project authorities. It can also be seen that the ratings for costs appear to favour CI supervision, as supervision by CIs costs less on average (this will be discussed in more detail later).

37. Third, the evaluation rated the directly supervised and CI-supervised projects using the *six impact domains in the OE methodological framework for project evaluation* (MFE). Moreover, the two overarching factors in the MFE (sustainability and innovation/replication) have been included in the analysis (see Chapter III, Table 7). In short, the directly supervised projects are rated better in most impact domains (e.g. food security is rated 2.9 for DSPP, compared with 2.5 for CI-supervised projects), although in two impact domains (environment and sustainability), the directly supervised projects performed less well as compared with the CI-supervised projects.

38. With regard to the latter issue, it should be noted that 12 of the 15 projects in the control group included a specific objective or component related to environmental matters. Consequently, their supervision missions have normally adequately reviewed project progress in this area. On the other hand, only five directly supervised projects have a specific environmental component and their supervision missions have not always included the required skills to undertake a thorough assessment of environmental issues and to provide the necessary backstopping to project staff. Furthermore, environmental matters have not received the same level of focus within IFAD at large as compared with areas such as gender mainstreaming and social capital formation.

39. No conclusive statement can be made on project sustainability at this stage. On the one hand, the slightly less positive ratings of the directly supervised projects as compared with the control group may be explained partly by the relatively fewer years of implementation of the directly supervised projects. That is, many of the projects in the DSPP have devoted greater emphasis, at least in the initial years, towards developing grass-roots organizations and promoting participatory processes and less towards productive activities. This may be a cause of the lower sustainability rating at this stage. Moreover, some of the directly supervised projects (in Brazil, India and the Sudan, for example) suffered initial delays in implementation due to compelling political and administrative circumstances, which could be another reason. On the other hand, the IEE concluded that during the early stages of a project there are relatively high expectations that project benefits will endure, but these expectations are modified in the later stages of implementation.

40. Finally, the overall *composite rating*¹⁶ of the six impact domains is compared with the rating available in the PSR on ‘meeting development objectives’. In both cases, directly supervised projects do better than CI-supervised ones (see Chapter III, Table 8). The MFE composite index is rated 2.9 for the DSPP as compared with 2.5 for CI-supervised projects.

41. Some general considerations must be made while interpreting the above results. First, it must be acknowledged that the differences in rating scores are relatively small. Nevertheless, the analysis shows that directly supervised projects have performed better, compared with the CI-supervised ones, according to most indicators considered in this evaluation. Additionally, direct supervision has contributed to enhanced results in furthering IFAD’s broader objectives, such as policy dialogue, partnership-building and knowledge management. The evaluation also notes that the results of direct supervision could have been even greater had the pilot programme been implemented under more favourable conditions, for example if the CPM workload had been appropriately prioritized or if adequate monitoring and assessment systems had been put in place. However, in analysing the results, one must also take into account the time allocated to direct supervision. More than half the CPMs

¹⁶ The composite rating is the average of the six impact domains and the two overarching factors.

involved in DSPP said they spend up to double the time on direct supervision than on other projects in the portfolio. There are also issues of cost, which will be discussed later.

42. **Quality assurance.** IFAD lacks a continuous quality assurance system for supervision, which would have allowed the Fund to meet more fully the objectives of the pilot programme. As a result, there was limited quality assurance in direct supervision inputs and processes (e.g. mission terms of reference, composition and duration in the field) and in deliverables such as supervision reports. Other IFIs, in particular the African Development Bank (AfDB) and the World Bank, also have quality assurance mechanisms that allow for periodic assessment of supervision activities (e.g. once every two years). Through these quality assurance mechanisms, IFIs are able to take a holistic view of the supervision function and suggest corresponding systemic improvements across the organization. Such quality assurance mechanisms in the aforementioned IFIs are located outside the operations departments. The Inter-American Development Bank (IDB) is in the process of setting up a similar quality assurance system. In addition, IFIs generally have quality assurance mechanisms for supervision built into the operations divisions (e.g. at the African Development Bank, peer reviews are used for quality assurance).

43. **Reporting to the Executive Board.** Management has not complied with two key commitments in terms of reporting. First, no MTR of the pilot programme was undertaken in the last quarter of 2000/first quarter of 2001, as had been decided by the Governing Council. The reasons for this are neither evident nor documented. Second, although the Fund has provided progress reports on direct supervision to the Board on an annual basis, these have focused mainly on the deployment of inputs and processes in implementing direct supervision activities. The evaluation notes that, at the same time, the Executive Board could have exercised better oversight of implementation of the action plan and could have demanded more analytical information from management on the development effectiveness of the DSPP, in particular on the costs, results and lessons learned of the pilot programme.¹⁷

44. **Operating environment for direct supervision.** CPMs did not benefit from a favourable operating environment in which to manage the increasing workload caused by the introduction of direct supervision. More specifically, training was not provided at the outset of the pilot programme, nor were CPMs given any particular recognition or incentives. They accepted the additional responsibilities for direct supervision, which they undertook without managerial support for any reprioritization of their existing workload. Last, but equally important, management engagement appeared to diminish gradually after approval by the Governing Council of the DSPP, as demonstrated, for example, by the non-implementation of three key activities¹⁸ included in the action plan.

IV. LEARNING AND KNOWLEDGE MANAGEMENT

45. By participating in direct supervision activities, CPMs have acquired first-hand experience of the task of supervision and a better appreciation of the issues related to rural poverty reduction. The benefits of their experience are evident, as some CPMs have put their newly acquired knowledge to use in designing new projects and implementing ongoing ones. Still, supervision reports (of both direct supervision and CIs) focus more on implementation issues and less on lessons learned from supervision processes or broad rural development issues. This has led to missed opportunities to incorporate learning into project design across the institution and to improve the supervision activities of cooperating institutions in general. Nonetheless, in spite of the benefits to individual CPMs, there is a need to institutionalize this knowledge and establish systems/platforms through which CPMs involved in direct supervision could share their overall experiences among themselves and within the Fund. Some exchanges have occurred at the CPM level in an informal, unstructured manner. But,

¹⁷ In 1997 the GC had, indeed, decided that “progress, lessons learned and results of the test would be reported annually to the Executive Board” – see document GC 20/L.10/Add.1.

¹⁸ Items 6, 7 and 8 under Recommendation 5 in the action plan – see Appendix II.

overall, institutional support to capture and channel learning from direct supervision to IFAD staff has been inadequate.

46. IFAD also lacks an adequate reporting and feedback mechanism at the country level: its current system for learning does not allow governments and other development organizations to become familiar with its successful innovative approaches and to learn from its experiences. This needs to be addressed in the light of the Fund's strategic objective of seeking partnerships for replicating and scaling up the activities it finances, as well as of the proposed new operating model. OE recognizes that knowledge management is an institution-wide concern and that direct supervision is only one of the components of the Fund's learning system. However, the unique opportunity for the institution as a whole to learn from the direct supervision pilot programme to enhance IFAD operations has been largely missed.

V. EFFICIENCY OF DIRECT SUPERVISION

47. Based on the calculations of the evaluation, the average cost per year per project of direct supervision is around USD 93 000 as compared with USD 61 000 for CI-supervised projects in the control group. In this regard, it should be noted that the costs incurred go beyond the expectation of the Governing Council, which had decided that in implementing direct supervision activities "there would be no cost increase" to IFAD.

48. However, there are some points related to the average CI cost that merit being highlighted. First, there is quite a variation in costs across the different CIs. Hence, the average cost for CI supervision calculated above does not reflect the costs that all CIs charge. For instance, supervision through some CIs (e.g. the World Bank) costs over USD 100 000.¹⁹ The current overall cost of supervision through UNOPS (the CI with the greatest number of projects under supervision) is around USD 79 000 – see Chapter V for more data on costs. Moreover, according to the evaluation, the current cost attributed to UNOPS needs to be increased if the Fund is to expect them to provide enhanced quality services.²⁰ Next, there are additional costs of CI supervision that are difficult to identify and have thus not been included in calculating the total cost of CI supervision. For instance, the Belgian Survival Fund has an annual allocation for CI supervision in its administrative budget, recorded outside IFAD's accounting system. Along similar lines, more recently, IFAD's Asia and the Pacific Division provided additional funds to the UNOPS Asia Office to augment its supervision-related activities. These and other such costs are not included in the average of USD 61 000 calculated for CI supervision. Finally, it should also be noted that the cost to IFAD for direct supervision includes the fielding of around two supervision missions per year to each project for longer durations than those of the average CI supervision activities.

49. Furthermore, the evaluation underlines that the longer implementation period of projects in the control group as compared with the directly-supervised projects has administrative cost implications for IFAD, which would raise the overall costs of supervision by CIs and which need to be considered.

50. The evaluation also argues that there are possibilities of reducing the costs of direct supervision to some extent. For instance, this could be achieved by making use of competent national entities to discharge the fiduciary responsibilities involved in supervision and thus enhancing the role of government in implementation support activities. Greater use of local consultants could also contribute to cost savings. Finally, as CPMs and the other IFAD staff involved acquire the necessary competencies and gain more experience in direct supervision, it is fair to assume that the overall time invested in the associated tasks is likely to reduce to some extent. This will have a corresponding effect on the staff costs component, leading to a reduction in the overall costs of direct supervision.

¹⁹ A study by the World Bank's Quality Assurance Group in 2003 concluded that, on average, from USD 100 000 to USD 125 000 should be allocated per year for supervision of community-driven development projects.

²⁰ The IEE report highlighted the same issue – see paragraph 18 on page 16 (document EB 2005/84/R.2).

51. While the cost of direct supervision may still be higher than that of CI supervision, according to the evaluation it is paramount to assess the cost together with the corresponding benefits to the Fund. The analysis of the evaluation illustrates that direct supervision has contributed to better development effectiveness and has allowed the Fund to further its catalytic objectives of innovation, policy dialogue and partnership development. With regard to the latter point, partners at the country level expressed their preference for building partnerships directly with IFAD rather than managing such processes through proxy institutions such as CIs. Moreover, in the context of knowledge management, although the CPMs involved in direct supervision have acquired better understanding of implementation matters and despite the fact that knowledge from the DSPP has not been properly institutionalized, the evaluation observes that using a CI for supervision introduces an extra layer into the already feeble learning loop of the Fund. On a similar note, the knowledge that the staff or consultants of CIs have acquired by undertaking supervision on behalf of IFAD is largely lost to the Fund. Finally, the common opinion of governments and all other partners at the country level, who clearly favour IFAD's direct involvement in supervision activities, must also be given due consideration.

VI. SUPERVISION SYSTEMS AND EXPERIENCES OF OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

52. By and large, the AfDB, the Asian Development Bank (AsDB), the IDB and the World Bank have similar supervision systems, with processes and details applied variously to fit their institutional structures. In the IFIs, generally, supervision is not limited to official missions and formal reports, rather it is a continuing and flexible process, specific to the needs of the particular operation and intended to foster a close partnership among an IFI, its borrower, and the implementing agencies. The planning of supervision is done carefully during the design phase of the project cycle, when appropriate resources and arrangements are put in place to facilitate supervision. The supervision process normally starts after the project is approved and ends when the last disbursement is completed and the project completion report is prepared.

53. At the Inter-American Development Bank, supervision is largely delegated to the country offices, with participation of staff from headquarters as required. At the Asian Development Bank and the World Bank, headquarters and country offices share responsibility for supervision. That is, in some cases, supervision responsibilities are entirely delegated to the country offices, especially in those countries in which offices have staff with the required sectoral know-how. Under such arrangements, selected staff at headquarters are sometimes asked to join supervision missions. In other cases, the "task managers", if based at headquarters, retain responsibility for supervision and, in turn, involve staff at their country offices in supervision missions. At the African Development Bank, so far, task managers based at headquarters have full responsibility for project supervision. However, with the establishment of 26 country offices by the end of 2006, AfDB expects in-country staff to be involved in one way or another in project supervision and related follow-up, as well as in portfolio management issues. One important aspect of supervision by these IFIs is that certain supervision functions are being increasingly located in their country offices. For example, the review of documents related to fiduciary aspects (such as bidding proposals and accounting matters) is largely handled by the country offices. It is important to realize, however, that the degree to which such field office staff can make decisions varies according to the delegation provided by the responsible task managers. Finally, some IFIs have well-established quality assurance mechanisms for supervision and others are rapidly moving in the same direction.

VII. CONCLUSIONS

54. A consistent trend in the overall evaluation analysis demonstrates that, compared with CI supervision, direct supervision has greater potential to contribute to better development effectiveness at the project level and, at the same time, allows greater attention to IFAD's broader objectives at the country programme level. That is, direct supervision by IFAD can contribute to better and timelier

project implementation, which in turn enhances overall results and impact. Moreover, through direct supervision, IFAD has been able to emphasize issues of prime concern such as gender mainstreaming, targeting and the building of grass-roots institutions, which taken together are important elements in ensuring sustainability.

55. In view of their more frequent and longer presence in countries with direct supervision, CPMs have wider opportunities to advance IFAD's objectives at the country programme level, including policy dialogue and partnership development. CIs do not consider these to be a priority, nor can such activities be effectively advanced through third parties. Although there is no conclusive evidence that new partnerships have resulted from the DSPP, governments and other development partners at the country level have unanimously expressed their deep appreciation of the more frequent contact with CPMs, which has been facilitated by IFAD direct supervision activities. The same partners communicated that they find it more useful to deal directly with IFAD staff rather than with CI representatives. In this regard, for example, partners affirmed that the response rate and follow-up on implementation issues are faster under direct supervision than under supervision by CIs.

56. Direct supervision has contributed to developing IFAD's knowledgebase. In this regard, in particular, the CPMs responsible for direct supervision have acquired knowledge of supervision processes, project implementation and rural development issues in the countries concerned. This knowledge has enabled them to better design and implement new operations. However, the knowledge gained at the CPM level has not been systematically shared with others, nor has it been institutionalized, which is one of the key shortcomings of the DSPP. The evaluation notes that supervision by CIs also offers possibilities for knowledge generation. However, CI involvement in supervision makes the transmission line of knowledge from the CI to IFAD and the country more cumbersome in the already feeble knowledge systems of the Fund.

57. The evaluation concludes that direct supervision allows CPMs to strengthen country-level coordination both within the context of IFAD operations and with the development community at large. It also facilitates the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities, which are mostly available at the country level, given that the majority of our international and bilateral partners have delegated an increasing amount of authority to their country representatives.

58. Unlike most other IFIs, IFAD lacks a quality assurance system for direct supervision. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. Compliance with the minimum supervision requirements and the direct supervision guidelines was also not monitored. In conclusion, both continuous and periodic quality assurance systems are fundamental if direct supervision activities are to be expanded.

59. At face value, the average cost of direct supervision (USD 93 300) is higher than the average cost of supervision by CIs (USD 61 461).²¹ However, the evaluation argues that cost should not be seen in isolation from the benefits the DSPP has evidenced. Moreover, in discussions with UNOPS (the main IFAD CI), it is clear that the costs to IFAD for supervision by UNOPS need to be increased if they are to deliver the type and quality of service IFAD requires in the future. In parallel, the evaluation notes that there is the potential for efficiency gains in direct supervision if, for example, the fiduciary responsibilities related to supervision are entrusted to competent national entities and greater use is made of local consultants for implementation support activities.

60. The evaluation notes that management's interest has appeared to gradually diminish following approval of the DSPP by the Governing Council. This is illustrated by the fact that management did not fully implement all decisions of the Governing Council. For instance, it did not undertake a mid-term review of the DSPP as required. Neither did it establish an integrated, analytical accounting

²¹ Although the actual cost per project per year for supervision by UNOPS, the main IFAD CI, is around USD 79 000.

system to track costs of the DSPP. Nor did it set up a monitoring and assessment system to measure the performance and impact of direct supervision. According to the evaluation, however, neither did the Executive Board exercise adequate oversight to ensure that IFAD management would fulfil all its commitments under the DSPP. The evaluation believes that the outcome of the DSPP would have been even more significant had all the requirements laid down by the Governing Council been implemented.

61. The evaluation reveals that not all concerned have the same understanding of the notion of supervision. In fact, there is often confusion as to what constitutes supervision missions, implementation support, follow-up activities, fiduciary responsibilities and so on. There is also a lack of clarity on the roles and responsibilities of IFAD, CIs, project staff and government authorities. Additionally, it is worth noting that many partners at the country level felt that the term ‘supervision’ – when applied to the implementation aspects of projects rather than to fiduciary aspects – has a paternalistic undertone and they felt uneasy with its continued application. Supervision in that sense reflects a top-down, non-participatory approach to the function, which is inconsistent with the Fund’s objectives of promoting ownership and partnership with governments and other institutions.

IX. RECOMMENDATIONS

62. It is important to state that the evaluation’s recommendations have taken into consideration the relevant recommendations contained in the ESM report. The evaluation’s five key recommendations, given below, are mutually reinforcing. The evaluation recommends that they all be implemented fully in order to ensure that the desired impact is achieved in IFAD’s future efforts in the area of supervision and implementation support.

Recommendation One: Definition of Supervision

63. The evaluation recommends that the concept of ‘supervision’ as used by IFAD be divided into two distinct operational parts: (i) **supervision of fiduciary aspects**, including aspects related to procurement review, disbursement processing and compliance with financial and auditing requirements; and (ii) **support to programme and project implementation**.²² This would include, for example, the organization of periodic ‘implementation support’ missions and related follow-up; an assessment of the achievement of programme/project objectives and assistance in identifying remedial solutions for implementation challenges, based on interaction and dialogue with project authorities and other partners at the country and project level; and the provision of guidance in preparing the annual work plans and budgets. It would also include oversight of project and programme implementation, for example, in terms of monitoring the achievement of physical targets.

Recommendation Two: Develop a Comprehensive Supervision²³ and Implementation Support Policy for IFAD

64. The Fund should develop a specific overall supervision and implementation support policy for its operations. The policy should reflect the following elements.

65. **Supervision of fiduciary aspects.** IFAD should be allowed to decide, on a case by case basis, whether to subcontract a competent national, regional or international entity to perform such functions. Special efforts should be devoted to engaging national entities, as this would have the double effect of building local institutional capacity and reducing costs. The utmost attention should be given to ensuring that there is no conflict of interest between the prospective national entity and the IFAD

²² It could also be called ‘implementation support’.

²³ The term ‘supervision’, from this point onwards in the document, means ‘supervision of the fiduciary aspects’ related to IFAD financing.

operation under consideration. In a few and very specific circumstances, IFAD might consider undertaking the supervision of fiduciary aspects itself.

66. **Implementation support.** The evaluation recommends that the policy state explicitly that: (i) IFAD should be made responsible for providing direct implementation support to all its operations globally. In this regard, it is important to specify the role of the CPMs, who could either be intensively involved themselves as “implementation backstoppers” or act as implementation-support task managers with more attention to process management, which would also require a degree of direct involvement in activities. In both cases, CPMs would ultimately be responsible for the process, content and outputs of implementation support activities; (ii) such support would cover all aspects of IFAD country programmes, both at the project level and beyond, such as policy dialogue and partnership strengthening; and (iii) the role of partner governments would be specified and given due emphasis, which would contribute to building greater ownership and local capacities, as well as reducing costs.

67. The above would result in new responsibilities for the Programme Management Department (PMD), which would require the allocation of additional staff and financial resources as well as new competencies and skills. It is fundamental that the additional resource requirements for the implementation of the new policy be clearly articulated in a comprehensive and explicit manner by IFAD. This would require a detailed cost analysis, particularly of the elements in paragraphs 65-66, as well as an assessment of the skills and competency of current CPMs. Based on the aforementioned analysis, IFAD would need to develop a proposal to meet the cost deficits in implementing the new policy. It would also need to develop a plan for enhancing the ability of CPMs to meet the specific requirements of the new policy, recognizing that it may not be possible to enhance these skills and competencies in all cases. Until the required level of financial resources would be made available to the Fund and additional PMD staff recruited and their competencies and skills developed and upgraded, IFAD might consider a phased approach to expanding implementation support in all operations.

68. The success of the new policy would also be determined by the support provided by IFAD management and the conducive environment it creates for the purpose. For example, management would need to: (i) ensure that appropriate opportunities are introduced for periodic staff training; (ii) establish an incentive framework and platforms for the sharing of knowledge acquired by CPMs; and (iii) allocate the necessary time for reviewing implementation experience under the policy. The Board should also play a proactive role in exercising oversight of implementation of the new policy and in approving administrative budgets for the purpose.

69. The policy should be evaluable, and in particular include a roll-out and implementation plan, with performance indicators that can be monitored periodically.

70. A chapter on supervision and implementation support should be included on a standing basis in IFAD’s annual Portfolio Performance Report. The chapter would provide an analytical account of the opportunities and challenges in the area, and identify key lessons learned. Moreover, it would provide an indication of the ongoing operational measures introduced by IFAD to address emerging issues.

71. The undertaking of supervision of fiduciary dimensions and implementation support would require revisiting Article 7, Section 2(g) of the *Agreement Establishing IFAD*.

72. Other integral aspects that the policy should consider are contained in recommendations three to five.

Recommendation Three: Supervision and Implementation Support in the Framework of the COSOP

73. The evaluation recommends development of an overall approach to supervision and implementation support during the preparation of COSOPs. This would take into account the need to supervise the fiduciary dimensions of all operations, and the provision of implementation support to the country programme, including areas such as policy dialogue, partnership-building and knowledge management, in addition to the support traditionally provided to projects. The COSOP would lay the provisions for the need to develop an annual supervision and implementation support plan for each country, indicating the specific objectives, human and financial resource allocations and expected results. Each PMD regional divisional would set up an electronic monitoring, assessment and reporting system, which would serve as a management tool to track the implementation progress of the plans and to flag issues requiring more immediate follow-up. A template should be developed by PMD for the section on supervision and implementation support that would be included in the COSOPs.

Recommendation Four: Quality Assurance System

74. Within the framework of an overall enhanced quality assurance system at IFAD, there is a need to introduce quality assurance mechanisms for the supervision of fiduciary dimensions and implementation support activities. The evaluation recommends that IFAD establish a management review committee within PMD, which would review supervision and implementation support activities, results and related operational issues. Quality assurance, as well, needs to be strengthened in the PMD divisions. In this regard, semi-annual reviews of supervision and implementation support activities should be undertaken at the divisional level. Summaries of the discussions at these meetings should be circulated to all PMD divisions. Moreover, IFAD should build on the experience of other IFIs (in particular of the Quality Assurance Group at the World Bank) to establish an IFAD-specific quality assurance group, which would review aspects of supervision and implementation support, in addition to any other aspects related to implementation of the COSOP and its components. The Fund would need to thoroughly reflect upon the most appropriate location within IFAD's organizational structure for such a group, which would ensure the most objective and independent review possible of its supervision and implementation support efforts. The introduction of such a quality assurance group should take into consideration the mandates and performance of existing quality control systems within IFAD, such as the project development team, Technical Review Committee and Operational Strategy and Policy Guidance Committee.

Recommendation Five: Learning and Knowledge Management

75. Incentives should be provided to staff to encourage sharing of the knowledge they acquire. For example, time needs to be carved out in CPMs' workload for sharing the knowledge they generate through supervision and implementation support activities. The documenting and sharing of knowledge should be included as an indicator in assessing the annual performance of CPMs. Specific instruments need to be established to facilitate learning and knowledge-sharing. In particular, time should be reserved on a standing basis in the CPM forum for discussing issues and sharing knowledge generated through supervision-cum-implementation support activities. Each project mid-term review and project completion report should include a specific treatment of supervision and implementation support issues, as should all evaluations undertaken by OE. The project and country status reports should be reformatted to include a narrative section on supervision and implementation support, and ratings must be included in all cases. Other instruments should be introduced, such as peer reviews at the PMD divisional level in relation to implementation support activities.

76. The monitoring and evaluation systems at the project level need significant strengthening if they are to contribute effectively to learning. Moreover, in line with the new operating model, it is necessary to assist in the development of integrated monitoring and evaluation systems at the country level. This would not only facilitate monitoring and sharing of experience across the entire

project/programme portfolio, but would also allow for tracking the implementation of the broader objectives of IFAD country programmes, such as policy dialogue and partnership-building.

77. IFAD should build on the experiences of other international financial institutions, and make more comprehensive use of information technology for knowledge management purposes in relation to supervision and implementation support. In this regard, it is recommended that the existing PPMS be expanded so that it can carry updated summaries of supervision and implementation support activities at all times. An enhanced PPMS should accordingly be made accessible to external partners through the IFAD internet with immediate effect. Last but not least, an integrated, analytical accounting system should be developed through close cooperation between PMD and the Office of the Controller. This would allow the monitoring and analysis of all costs related to supervision-cum-implementation support, including staff time.

Direct Supervision Pilot Programme

Corporate-Level Evaluation

Main Report

I. INTRODUCTION

A. Background

1. In February 1997, the IFAD Governing Council (GC) adopted resolution 102/XX on “Loan Administration and Supervision of Project Implementation”. In doing so, the GC agreed to the implementation of five recommendations together with a corresponding Plan of Action over the period 1997-2001 included in the “Report of the Joint Review on Supervision Issues for IFAD-Financed Projects”¹. The Plan of Action provided detailed steps and timeframes to guide the implementation of the five recommendations (see Appendix II for the five recommendations and the Plan of Action).

2. Recommendations one to four were intended to improve project supervision undertaken by IFAD Co-operating Institutions (CIs), enhance project and portfolio management, and strengthen the learning loop. Furthermore, by adopting recommendation five of the above-mentioned report, the GC decided that IFAD “may supervise specific projects and programmes financed by it”. No more than a total of 15 IFAD-initiated projects (3 per each IFAD region) were to be directly supervised and administered during a period of five years². The GC resolution entered into force and effect on 21 February 1997 and will cease to be operational five years after the date of effectiveness of the last approved project to be directly supervised³ by IFAD.

3. To facilitate the implementation of the direct supervision pilot programme (DSPP), the GC provided a waiver to the provisions of Article 7, Section 2(g) of the Agreement Establishing IFAD, which says that the Fund “shall entrust the administration of loans, for the purposes of the disbursement of proceeds of the loans and the supervision of the implementation of the project or programme concerned, to competent international institutions”. The GC also decided that the DSPP should not entail any cost increases and that IFAD should use the same funds for supervision by the CIs to cover its own direct supervision activities.

4. Between April 1997 and May 2000, the fifteen projects were approved by the Fund’s Executive Board on the basis that their implementation was to be supervised directly by IFAD. In approving recommendation five, the GC also agreed that “IFAD may contract the administration of its loans and grants (procurement and disbursement) to competent private or public, national or international entities”. In this regard, in July 1998 IFAD appointed the United Nations Office for Project Services (UNOPS) to undertake “certain loan administration and procurement review and verification services relating to the projects/programmes which the Fund shall directly supervise”. On its part, the Fund assumed the responsibility for organizing the supervision missions to provide support to project implementation.

5. In order to assess the results of the Plan of Action (refer paragraph 1), the Office of Evaluation (OE) undertook in 2002/2003 an Evaluation of the Supervision Modalities in IFAD-supported Projects (ESM). The objectives of the ESM were to “evaluate the effectiveness⁴ of current supervision

¹ Refer document GC 20/L.10

² Referred to as the direct supervision pilot programme.

³ The last project (in India) was approved by the Executive Board in April 1999. It became effective in June 2001. Hence, the GC resolution will cease to be operational in June 2006.

⁴ The ESM considered ‘quality’ of supervision as analogous to supervision ‘effectiveness’. Four key indicators are used to assess supervision effectiveness: (a) adequacy of supervision inputs and processes; (b) how well

modalities against the Minimum Supervision Requirements (MSRs) and other indicators of quality, and review the achievements under the Five-Year Plan of Action". The results of the ESM⁵ were discussed with the Evaluation Committee of the Executive Board in December 2003. A summary of the key issues discussed in the Evaluation Committee are summarised in the Report of the Chairperson of the Evaluation Committee⁶, which was considered by the Executive Board in December 2003 as well. It is important to note that most of the directly-supervised projects were in their early stages of implementation at the time of the ESM. Hence, although the ESM provided only an overview of the emerging characteristics of IFAD's direct supervision efforts, it was not able to undertake a thorough assessment of the DSPP.



The Republic of Peru
Development of the Puno-
Cusco Corridor Project.
Beneficiaries selling food.
IFAD photo by Susan Beccio

6. In light of the aforementioned and in order to gain a deeper understanding of the results of the DSPP, while approving OE's work programme and budget for 2004, the Executive Board decided that OE would undertake a corporate level evaluation (CLE) of the DSPP in 2004/5. The CLE has been undertaken within the overall provisions outlined in the IFAD Evaluation Policy.

7. The DSPP and its evaluation have been undertaken in a period of significant change at IFAD. For instance, the Fund has undergone a major independent external evaluation (IEE) in 2004, which raised issues related to project supervision, the role of the Country Programme Managers (CPMs)⁷, IFAD's overall operating model and so on. Moreover, there have been several key new initiatives introduced by the Fund since 1997 that have consequences for project supervision activities, such as the introduction of the logical framework as a tool for project design and implementation, the launching of the Field Presence Pilot Programme (FPPP) and the introduction of the Results and Impact Management System (RIMS) in December 2003, as well as the production of a new Guide for Project Monitoring and Evaluation (M&E) in 2001/2 (see section F in this chapter for more details). The evaluation has in its analysis and recommendations taken into consideration these new IFAD initiatives.

IFAD/CIs are meeting the MSRs and PMD's indicators for direct supervision; (c) the degree to which IFAD specific aspects, particularly beneficiary participation and targeting, gender aspects and participatory monitoring and evaluation (M&E), are given priority through the supervision process; and (d) the degree to which direct supervision pays particular attention to IFAD's strategic imperatives, such as policy dialogue, partnership building, innovation, knowledge management and so on.

⁵ See document EC 2003/35/W.P.2

⁶ See document EC 2003/80/R.8

⁷ Overtime the focus of the Fund had changed and the CPMs have been requested to increasingly get involved in a diversity of activities. The IEE has also raised attention to the appropriateness of the current one CPM to one country arrangement, and suggests that an institutional rather than an individual approach to IFAD's co-operation with partner countries may be more feasible.

B. Objectives of the DSPP and the Corporate Level Evaluation⁸

8. **DSPP objectives.** It is useful to firstly recall the objectives of the DSPP. The overarching objective for embarking on direct supervision was to enable the Fund to acquire first hand knowledge from supervision activities and to incorporate lessons learned from ongoing operations more effectively into its project design work. It would also provide IFAD with “knowledge of the supervision function, of what are the costs of an adequate project supervision...and of the development impact and human dimension of the projects in its portfolio. The Fund’s involvement in direct supervision would also complement and improve the co-operating institutions own activities (mainly the human dimension of projects/programs)”. Although enhancing development effectiveness⁹ was not an explicit objective, direct supervision was implicitly expected to contribute to improving the impact that projects would have on the lives of rural poor households.

9. Therefore, what was being tested through the pilot programme of direct supervision was an alternative mechanism that would result in a more effective learning process in order to enhance the design of projects and programmes and improve their performance, as well as more attention attributed to the human dimension of IFAD operations, including *inter-alia* beneficiary participation, institutional development at the grassroots level and gender mainstreaming. To evaluate this experience will require: (i) assessing the effects of direct supervision on IFAD staff capacities, as well as the corresponding knowledge management systems and learning loops established to enhance the Fund’s project design processes; and (ii) comparing the implementation performance of directly supervised projects to that of projects supervised by CIs.

10. **Evaluation objectives.** Given the above considerations, the main objective of the evaluation was to make an overall assessment of the DSPP in enhancing the implementation and impact of IFAD-funded operations. More specifically, the evaluation had the following key objectives:

- Compare and contrast the direct supervision by IFAD with selected and relevant examples of supervision undertaken by CIs;
- Examine the processes established, alternative approaches to direct supervision, and the experiences of CPMs in undertaking direct supervision. This would include comparison with the approaches, systems and experiences of other International Financial Institutions (IFIs);
- Assess the efficiency of the direct supervision modality (in comparison to the costs of other CIs’ modalities); and
- Examine the systems established to capture the experience and insights from direct supervision and the ways in which this has been of benefit to IFAD’s project design processes and implementation support activities.

⁸ The CLE was conducted under the overall guidance of Mr Ashwani Muthoo (Senior Evaluation Officer, OE) by the following OE consultants: Mr Luis Rubio (evaluation mission leader, Chile), Mr Frank Butcher (core mission member, UK), Ms Dorothy Lucks (core mission member, UK), and Ms Reine Anani (core mission member, Benin). Mr Ismet Mustafa (consultant, Bangladesh) undertook the assessment of the direct supervision activities in Uganda as a pilot case before the main staff interviews and field work were undertaken. Mr Sarath Mananwatte (consultant, Sri Lanka) was responsible for the efficiency analysis of direct supervision activities. Ms Thuy Thu Le (consultant, Vietnam) served as research analyst for the evaluation throughout the process.

⁹ Development effectiveness embraces “the efficiency of development of new loans, grants, policies and other instruments, the effectiveness of their implementation, and their development outcomes” – para 3.24 IEE Final Report (document EB 2005/84/R.2). For the purpose of this evaluation, the term development effectiveness encompasses the extent to which the DSPP’s overall objectives have been met, the efficiency in implementing the pilot programme, as well as the contribution of direct supervision in improving project implementation and their potential impacts.



The Republic of Armenia
North-west Agricultural
Services Project.
A main irrigation canal
which transports water
from a mountain spring to
Tzaghkahovit village.
IFAD photo by Robert
Grossman

C. Evaluation Methodology and Scope

11. **Methodology.** A guiding principle in developing an approach for the direct supervision evaluation has been to build on the methodology and results of the ESM, as appropriate. The approach in the CLE has a number of similarities to that used in the ESM. This facilitated a comparison of IFAD's direct supervision activities with supervision by CIs. The draft evaluation report was shared for review and comments with staff in all the projects included in the DSPP and the control group, IFAD management and other staff, selected IFIs and CIs and government officials concerned at the national level. Their comments have been included in accordance with the provisions in paragraph 42 of the IFAD Evaluation Policy.

12. The criteria¹⁰ used in the CLE to make an assessment of the DDSP include: (a) The relevance of the direct supervision in relation to the DSPP's objectives at the time of approval but also in today's context; (b) the effectiveness of direct supervision pilot programme, measured against the stated objectives of the programme and using the "indicators for the measurement of the impact of direct supervision" as contained in the Progress Report on the Project Portfolio (see Chapter II, Box 1). In particular, the effectiveness of the programme was evaluated in contributing to improved project implementation performance and in enhancing IFAD staff knowledge. With regard to the latter, an assessment was made of the knowledge management systems introduced to institutionalize the knowledge acquired¹¹. Among other issues, the evaluation assessed the internal quality assurance mechanism for direct supervision; (c) the efficiency of direct supervision. In this regard, the evaluation built on the results of the efficiency analysis contained in the ESM and IFAD Internal Audit Report on Project Supervision of May 2004 – which included an examination of the costs of project supervision; and (d) attempts have been made to analyse and compare the actual/potential impacts of the projects included in the direct supervision pilot programme with those supervised by CIs. In assessing impact, attention was devoted to assessing the role and contribution of direct supervision in advancing IFAD's efforts in policy dialogue, knowledge management and partnership building.

13. **Scope.** The evaluation was performed through a comparison of fifteen directly supervised projects with other fifteen selected projects that are CI-supervised (the latter therefore represented the evaluation's control group). That is, it was not the absolute performance of directly supervised projects which was relevant to this evaluation; rather it was the performance of the directly supervised projects in comparison to similar and contemporary CI-supervised projects. Three CI-supervised projects per

¹⁰ For definitions of the criteria see Methodological Framework for Project Evaluations (document EC 2003/34/W.P.3)

¹¹ That is, what efforts were made to ensure the sharing of knowledge beyond the 15 CPMs involved in direct supervision.

region were included in the control group based on a set of selection criteria¹² agreed with the evaluation's Core Learning Partnership (CLP)¹³. The list of the 15 projects included in each the DSPP and the control group for the purposes of the evaluation can be seen in Appendix I. In fact, this appendix includes basic information on all the 30 projects (both included in the DSPP and control group) such as country and project names, loan amounts, dates of approval, effectiveness and completion, current disbursement rate and other information.

D. Evaluation Process

14. As per the requirements of the IFAD Evaluation Policy, the CLE process initiated with the preparation of an Approach Paper. The draft approach paper was discussed with the IFAD management and comments from concerned project staff and government representatives were solicited. The approach paper provided an opportunity for developing a common understanding of the evaluation's objectives, scope, methodology, timeframes and expected outputs.

15. Likewise, the evaluation benefited from the views and experiences of members of the CLP¹⁴. Several meetings of the CLP were organised to exchange ideas and learning at selected stages of the process. The insightful and timely comments of the CLP in reviewing the draft approach paper and the draft evaluation report as well as in the preparation of the Agreement at Completion Point need to be particularly highlighted. Other IFAD staff and consultants not included in the CLP also provided very good feedback and comments at various stages in the process.

16. An external reviewer¹⁵ with wide experience in project supervision issues was contracted to provide advices to OE at critical phases during the evaluation and to review key evaluation outputs. His comments have been integrated accordingly. Moreover, OE undertook a thorough peer review process within the division to improve the evaluation's overall quality. The peer review team included three staff members apart from the lead evaluator, reviewing and providing comments on the draft DSPP evaluation report and an Early Feedback Note produced on an experimental basis for this evaluation. The Early Feedback Note, which was produced while the analysis was still on-going, had the objective of sharing the emerging results with the IFAD management from the evaluation before the draft evaluation report was available for discussion. It allowed OE an opportunity to hear the views of partners and build on their comments in preparing the draft evaluation report.

¹² The criteria for the selection of the control group projects were that they should be: (i) IFAD-initiated, ongoing and contemporary with directly supervised projects as far as possible; (ii) in the same countries as the directly supervised projects, if possible; (iii) drawn from the 57 projects included in the ESM, which have already been subjected to review and analysis through that evaluation, and for which considerable information has already been compiled; and (iv) by preference only one CI should be involved per Region (otherwise comparative factors between CIs would be introduced, and three projects per Region is too small a number to properly take these into account).

¹³ See section D in this chapter for more information on the CLP.

¹⁴ Members of the CLP included the following IFAD staff: Mr Nigel Brett, Mr Jim Carruthers, Mr Pablo Glikman, Mr Shyam Khadka, Mr Luciano Lavizzari, Mr John McGhie, Mr Ashwani Muthoo, Ms Rasha Omar, Mr Mohamed Tounessi and Mr Joseph Yayock. Other staff members and consultants not on the CLP also provided useful remarks during the process. These include: The President of IFAD - Mr Lennart Bage, Mr Brian Baldwin, Ms Rossella Bartoloni, Mr Mohamed Beavogui, Ms Mona Bishay, Mr Rodney Cooke, Mr Thomas Elhaut, Mr Jean Jacques Gariglio, Ms Nadine Gbessa, Mr Gary Howe, Ms Raquel Peña-Montenegro, Ms Miriam Okong'o, Mr Phrang Roy, Mr Anshuman Saikia, Mr Perin Saint-Ange, Mr Leopold Sarr, Mr A. Slama, Mr Jens Sorensen, and Ms Isabelle Stordeur.

¹⁵ Mr Hans Wyss, former Director of Operations in the World Bank. He also served as external adviser in the ESM.

17. The evaluation process was planned to allow for triangulation¹⁶ of evidence and views obtained from the main actors in the DSPP (the key government focal point at the national level, implementing agencies and the beneficiaries, the IFAD staff concerned and the evaluators). Data and information was obtained by relying on self-evaluations and the application of structured interviewing. Not all the information required was new, as use was made of the questionnaires already completed by CPMs and project managers as part of the ESM, updated as necessary to reflect changes in circumstances (of the projects) or opinions (of the staff).

18. Since the ESM was undertaken, OE had completed evaluations of some of the directly supervised projects, which provided valuable additional sources of information and assessments on direct supervision activities. In particular, OE evaluations reports were available for the directly supervised projects in Armenia, the Gambia and Uganda. Furthermore, the recent Country Programme Evaluations in Bangladesh, Benin and Indonesia undertaken by OE also included information and assessments on the directly supervised and control group projects in these countries. Recent evaluation reports of projects in India and Peru in the control group were also available. Moreover, relevant information and reports from the IEE have been utilised. In fact, five of the projects covered by the IEE in their desk review are included in this evaluation (three projects in the DSPP and two in the control group). Four out of these five projects (two each from the DSPP group and two from the control group) were also part of the IEE's field work. In particular, the evaluation included the following mutually reinforcing activities:

- **Desk review.** Based on a review of documentation available within IFAD, desk reviews were prepared using a standardized format for the 15 directly supervised projects and the 15 projects in the control group. The desk reviews established a baseline for the evaluation, as they provided a summary of project implementation performance and impacts. Each desk review report included basic information on the project plus comments on whether or not they met the DDSPP selection criteria; a description of the supervision undertaken; progress assessment; and assessments against the MSRs and the indicators for assessing the impact of direct supervision (see Chapter II, Box 1), as well as other issues such as policy dialogue, partnership, innovation and knowledge sharing. Apart from allowing for an assessment of the DSPP based on a review of relevant documentation, the desk review highlighted areas that required added attention by the evaluation during its subsequent phases, such as the need to get a better understanding of the role of direct supervision in promoting policy dialogue and building partnerships with concerned actors at the country level;
- **Interviews with IFAD staff.** Using a structured format, interviews were conducted with representatives from the IFAD senior management team and all regional division directors in the Programme Management Department (PMD), the CPMs involved in direct supervision activities, loan officers and other staff. The interviews allowed the evaluation team to collect information on the CPM's approach to direct supervision, the experiences of key partners as well as their perceptions of the opportunities and challenges related to DSPP. In particular, the interviews were an important step in determining, *inter-alia*, the learning acquired from direct supervision, what supporting mechanisms were set up in the pilot programme, and the resources allocated to direct supervision activities;
- **Field work including interviews with partners at the country level.** The evaluation team visited 13 of the 15 directly supervised projects (with the exclusion of Gaza and West Bank and Zimbabwe – see Chapter III, paragraph 44). Moreover, the team visited 8¹⁷ (out of 15)

¹⁶ The triangulation process included desk reviews of data and results captured in documents prepared by PMD as well as interviews with IFAD staff. The information gathered during this phase was validated by: (a) reviewing thoroughly relevant OE and IEE reports; (b) conducting field visits to the countries and projects in the DSPP to see project activities on the ground and hear the views of beneficiaries; and (c) discussions with project staff, government authorities and representatives of development organizations at the country level.

¹⁷ Bangladesh, The Gambia, India, Indonesia, Mali, Peru, Sudan and Uganda

projects in the control group, which are in the same country as the directly supervised projects. The field work allowed the evaluation teams to hold discussions with government officials in the capital cities and at lower administrative level, as appropriate. Intensive discussions were held with project management staff and other key institutions involved in project implementation. In all countries visited, the evaluation team also met with representatives of other IFIs and selected United Nations organisations represented at the country level (e.g., FAO, UNDP and WFP). Using a structured interview format, the field work allowed project managers and other partners to express their opinions and share their experiences about the DSPP. The evaluation team produced 13 country working papers, which individually reflected the evaluators' assessment of the DSPP. These working papers were used as key inputs in the preparation of the evaluation report. It should be noted that meetings were held with UNOPS in their offices in New York and Rome;

- **Supervision at other IFIs.** One of the important objectives of the evaluation was to examine the project supervision systems, approaches and experiences of other IFIs. In this regard, meetings were held with key staff at the headquarters of the African Development Bank, Inter-American Development Bank and the World Bank. Moreover, a video conference between Rome and Manila was organised to hold discussions with staff from the Asian Development Bank. Meetings were also held with staff from these organisations at the country level during the evaluation's field work. In addition to the aforementioned, the evaluation team reviewed several pertinent documentation about supervision in these organisations, including previous evaluation reports prepared by their Operations Evaluation Departments, where these were available;
- **Preparation of an early feedback note.** As the process of this evaluation spanned six months, an early feedback note on the DSPP Evaluation was produced on experimental basis. The purpose was to provide initial findings, stimulate further input to the evaluation and allow management to incorporate the initial findings into on-going work on the IFAD management systems;
- **Direct supervision cost analysis.** The evaluation was required to determine the costs of direct supervision and to compare the same with the costs of supervision through CIs. A consultant was recruited specifically for this purpose, who produced a corresponding working paper. The results of the analysis are included in Chapter V;
- **Stakeholders' workshop.** As part of the process, a workshop was held in Bangkok on 28-29 July 2005 to discuss the results of the DSPP evaluation and to lay the foundations for the Agreement at Completion Point. The workshop brought together representatives of IFAD's management, CPMs involved in direct supervision and other IFAD staff, staff from the directly supervised projects and government officials, staff from IFIs and selected CIs, and others. The workshop provided an opportunity to share experiences, lessons learned and to discuss future directions and options for supervision of IFAD-funded operations; and
- **Discussion with the Evaluation Committee and Executive Board.** This evaluation will first be discussed with the Evaluation Committee on 2 September 2005. The key issues discussed and recommendations of the Committee will be summarised in the Report of the Chairperson of the Evaluation Committee. The Executive Board will discuss the DSPP evaluation during its session on 7-8 September 2005, and on the same occasion consider the Report of the Chairperson of the Evaluation Committee.



International Roundtable Workshop held in Bangkok, Thailand 28-29 July 2005.
Photo provided by local photographer



19. **Evaluation ratings.** It is important to note that this evaluation uses a four point rating scale¹⁸. The four point rating scale is from 1 to 4, where 1= negligible, 2= modest, 3= substantial, and 4= high. In places, the evaluation makes use of self evaluation ratings by PMD, which is also based on a rating scale from 1 to 4, but where the order of grading is the opposite from the OE rating scale. That is, in the PMD ratings scale 1 represents the best rank and 4 the worse.

20. However, for sake of consistency and to facilitate the interpretation of results in this CLE, the rating scale (and corresponding scores) of PMD have been reversed and harmonised with OE's rating scale. Hence, **throughout this evaluation a four point rating scale is used, where 1 is the lowest rank and 4 the highest**¹⁹.

E. Definition of Supervision

21. As included in the Governing Council document GC 20/L.10²⁰, supervision for International Financial Institutions "encompasses four distinct functions: (i) supervising the procurement, disbursement and end use of funds; (ii) monitoring compliance with loan/grant contracts; (iii) facilitating implementation by helping borrowers interpret and respond to the lender's requirements; and (iv) providing substantive implementation assistance to Borrowers." The first two aspects reflect the **fiduciary requirements** embodied in the Agreement Establishing IFAD or in specific loan

¹⁸ Starting in 2005, OE has changed the rating scale in its Methodological Framework for Project Evaluation (MFE) from a four-point to six point scale. However, this CLE used the four-point rating scale: (a) in order to facilitate a comparison between this evaluation's independent assessments with data included in the PMD Project Status Reports, given that the latter uses a four-point rating scale; and (b) the CLE's desk review was done in 2004 using a four point rating scale, which was consistent with the rating scale used in the MFE at the time.

¹⁹ A decision has been taken by the IFAD management to harmonise the PMD rating scale with OE's scale starting in 2005.

²⁰ Report of the Joint Review on Supervision Issues for IFAD-Financed Projects, February 1997.

agreement documents of individual projects. The latter two supervision functions are designed to support the borrower in project implementation.

22. The same document²¹ says that “an appropriate supervision of IFAD projects should include all of the following”: (i) **support to implementation**, including reviewing and approving procurement, examining and processing borrowers’ disbursement applications, undertaking project supervision to ensure efficient implementation which includes monitoring of physical progress, and identifying implementation problems and assisting executing agencies to resolve any such problems; (ii) **reporting**, includes providing periodic status reports of project implementation, drawing IFAD’s attention to any violation of loan agreement covenants or non-compliance by borrowers, ensuring timely production of progress and audit reports and assessing the degree to which sound accounting principles have been followed, and undertaking mid-term reviews and assisting Borrowers in preparing project completion reports; and (iii) **the human dimension**, which entails monitoring the extent to which (a) beneficiaries are encouraged to participate in project implementation and (b) the benefits of the projects are reaching the intended beneficiaries.

F. Selected New IFAD Initiatives

23. There are three specific new initiatives that have consequences for IFAD’s supervision activities. These are the:

24. **Field Presence Pilot Programme (FPPP).** In December 2003, the Executive Board approved the FPPP with the “aim of strengthening the impact of its activities on the socio-economic situation of its target group”. The FPPP would be undertaken in 15 countries globally between the period 2004-2007. An enhanced field presence would allow the Fund to strengthen four of its core operational dimensions: project implementation, policy dialogue, partnership building and knowledge management.

25. **Results and Impact Management System (RIMS).** The Board approved in December 2003 a detailed framework of a results management system for both new and existing projects. The framework includes baselines and common indicators, with timeframes and milestones for implementation. All IFAD-funded projects would use the common RIMS framework to measure and report on project results and impact.

26. **New IFAD Operating Model.** In response to the IEE’s recommendations, the IFAD management is currently developing a proposal for a new operating model²². Within the context of the new operating model, *inter-alia*, IFAD plans to enhance country presence and bring the centre of gravity of IFAD’s operations closer to the country reality, lay greater emphasis to programme implementation and supervision, manage and engage in policy dialogue and partnerships, and improve the generation and sharing of knowledge on rural poverty issues. A key concept in the new operating model is the shift of the unit of account from the project to the country programme level.

²¹ See Governing Council document GC 20/L.10, page 13

²² The comments in this evaluation on the new operating model are based on a draft proposal prepared by IFAD management, which was discussed in the IFAD Operation Strategy and Policy Guidance Committee (OSC) on 25 May 2005.

II. THE EVOLUTION OF DIRECT SUPERVISION IN IFAD

A. Origin of Direct Supervision

27. The interest of IFAD to improve project supervision became evident during the first part of the 1990s and has evolved over a period of more than ten years (See Table 1 for key events in the evolution of the DSPP). This concern was expressed at the time when most other IFIs were also reflecting upon ways and means to improve their own supervision systems. In the framework of improving its own project supervision, IFAD's Monitoring and Evaluation Division²³ conducted in 1992/3 a thematic study on the relationship between IFAD and its CIs. The study recommended that in selected cases IFAD could "carry out independently the supervision and loan administration of its projects" to learn from this activity and to overcome the limitations of supervision conducted through CIs.

28. In January 1994, the Governing Council adopted resolution 80/XVII and established the Special Committee on IFAD's Resource Requirement and Related Governance Issues. The resolution requested the Executive Board to review IFAD's possible involvement in supervising the implementation of the projects financed, and the relationship of IFAD with the CIs. To this end, an information document²⁴ (*Review of Selected Programme and Operational Matters: Supervision and Loan Administration and IFAD's Relations with its CIs*) was presented to an informal meeting of the fifty-first session of the Board. The report considered "increasing IFAD's role in project implementation and supervision: the special nature of IFAD's projects, the need to carefully monitor and assess the target group's orientation during implementation, and the need for flexibility and continuity in design require that IFAD should play a more pro-active role in the supervision of its projects, whether that be through closer interaction with cooperating institutions or through direct responsibility for loan supervision."

29. In September 1994, the Executive Board received the *Report of the Ad-Hoc Committee of the Executive Board on Programme and Operational Matters: IFAD's Relations with its Cooperating Institutions with Respect to Loan Administration, for the Purposes of the Supervision of Project Implementation and Disbursements of Funds*²⁵. Together with the analysis of the quality of CIs services, the response to IFAD concerns and the growing costs of supervision, the Committee reported on the future options to improve loan administration, including project supervision. The report recommended for IFAD to start direct supervision, and provided the rationale for that initiative. However, the Board requested IFAD to further analyze the potential and consequences of direct supervision before taking a final decision on the matter.

30. In this regard, the Executive Board approved in April 1996 the scope and organisation of a Joint Review on Supervision Issues for IFAD-Financed Projects (see paragraph 1). The report of this joint review was discussed by the Board in December 1996. The main conclusions of the report are the following: (i) the system of supervision through CIs needs improvements; (ii) there are several options to improve the performance of the existing system; and (iii) a substantial benefit could be obtained by both IFAD and the CIs through a carefully monitored trial of direct IFAD supervision of a small representative sample of IFAD-initiated projects. Based on these conclusions the joint review recommended maintaining the system by which most of the supervision is performed by CIs, with close involvement of IFAD Project Controllers²⁶, and under improved Cooperating Agreements; fully defining the supervision requirements; holding the CIs accountable for the contracted responsibilities; and a complementary direct supervision of selected operations by IFAD on a five year limited trial basis. As mentioned in paragraph 1, the Report was submitted to the GC in February 1997, together

²³ Now the Office of Evaluation.

²⁴ EB 94/51 Inf.6, 14 April 1994.

²⁵ EB 94/52/R.58, 4 August 1994.

²⁶ Now Country Programme Managers (CPMs).

with a Five-Year Plan of Action (See Appendix II). The Plan of Action included 8 actions by IFAD to operationalise the DSPP:

- Agreement by GC for IFAD to supervise test projects;
- Criteria to be used for selection of test projects to be submitted to the Executive Board;
- 15 test projects to be determined (3 per region);
- Identify and negotiate with reputable private national or international organizations to undertake procurement and financial administration;
- progress report of test projects to be reported to Executive Board;
- Analytical accounting system to be established to track the actual costs of direct supervision as well as supervision by CIs;
- Mid-term review of supervision of test projects to be submitted to Executive Board; and
- Establish monitoring system to evaluate test projects.

31. As per the requirements of the Plan of Action, the IFAD management submitted for approval to the Executive Board in September 1997 a document including “the criteria for the selection of projects under direct IFAD supervision”²⁷. This document also stated that “IFAD will establish a monitoring and performance assessment system that will permit the transparent comparison of IFAD’s performance with that of its CIs”. The management recommended that the test projects should be IFAD-initiated and should satisfy one or more additional criteria. That is, the test projects should be: innovative in design and explore new implementation arrangements; in sectors in which IFAD has developed a strategic focus; cofinanced by other IFIs or bilateral agencies who accept IFAD’s direct supervision; and the portfolio represents a regional balance. The number of projects to be included in the DSPP was 15. The projects were to be equally distributed among the five IFAD operational regions.

32. In May 1999, IFAD management issued Direct Supervision Guidelines, which were to serve as a framework providing information and guidance on key stages and activities in direct supervision. The management “recognised the need to provide a set of guidelines that could be easily updated in response to lessons learned on the ground”. Interestingly, the guidelines were firm in stating “that better supervision will lead directly to better implementation and better results on the ground” recognising the importance of supervision in achieving better development effectiveness.

²⁷ EB 97/61/R.12, 1 August 1997.

Table 1: Key events in the evolution of the DSPP

Date	Initiatives
Oct. 1993	OE <i>Thematic study on the relationship between IFAD and its cooperating institutions</i>
	<ul style="list-style-type: none"> Recommended IFAD to carry out independently the supervision and loan administration of its projects in selected cases
Apr. 1994	<i>Review of selected programme and operational matters: Supervision and loan administration and IFAD's relation with its cooperating institutions</i> presented to EB
	<ul style="list-style-type: none"> Recommended IFAD to play a more pro-active role in project supervision, either through closer interaction with CI or direct supervision, considering <i>special nature</i> of its projects and the need for <i>flexibility and continuity in design</i>
Sep. 1994	<i>Report of ad-hoc committee of the EB on programme and operational matters: IFAD's relations with its CIs with respects to loan administration, for the purposes of the supervision of project implementation and disbursement of the funds</i>
	<ul style="list-style-type: none"> Recommended IFAD to start direct supervision for a portion of its own projects Recommended the Agreement Establishing IFAD be amended to permit the Fund to undertake direct supervision
Dec. 1994	EB urged IFAD's President to seek broader consensus among its members prior to the EB's definitive recommendation to the 18 th session of the GC in Jan. 1995 for authorization
Jan. 1996	19 th session of the GC considered a more thorough report on the subject, emphasising supervision deserved a clearer definition, wider discussion and review closely with CIs
Apr. 1996	EB approved the scope and organisation of a <i>Joint review on supervision issues for IFAD-financed projects</i> to be reviewed by the EB in December 1996
	<ul style="list-style-type: none"> The Review recommended IFAD to maintain the existing system with CIs carrying out most project supervision; <ul style="list-style-type: none"> with close IFAD involvement through its Project Controllers (now CPMs), but under improved and better coordinated arrangements; with IFAD having fully defined its supervision requirements and holding the CI accountable for the contracted responsibilities; and with a complementary selected direct supervision by IFAD on a limited trial basis
Feb. 1997	The resolution on direct supervision pilot programme was approved by GC within the framework of a Five-year Action Plan to improve supervision within IFAD
Apr. 1997	The first project, Agricultural Diversification and Intensification Project (ADIP) for Bangladesh, was approved to be directly supervised by IFAD
Jul. 1998	Fiduciary aspects of supervision (procurement, disbursement, loan contract administration) were contracted out to UNOPS
Jun. 2001	The last of fifteen projects, Jharkhand-Chattisgarh Tribal Development Programme for India, was approved by EB
Dec. 2003	FPPP and RIMS approved by EB ESM undertaken and discussed in the Evaluation Committee in December
2004/2005	CLE of IFAD's direct supervision pilot programme (DSPP) undertaken and discussed with the Evaluation Committee and EB in September 2005
Jun. 2006	The resolution on direct supervision pilot programme will cease to be operational.

Source: Various EB documents between 1993-2005



The Republic of Peru
Development of the Puno-
Cusco Corridor project.
Farmer in Ocobamba village
using a traditional Peruvian
method for threshing wheat.
IFAD photo by Susan Beccio

B. DSPP Modality

33. It is useful to provide further elaboration of the way in which the DSPP was implemented. One important feature of the DDSP is the co-operation between IFAD and UNOPS. As mentioned in paragraph 4, UNOPS was contracted at the outset of the pilot to discharge the fiduciary responsibilities in all 15 directly supervised projects. The role of UNOPS was defined in letters of appointments that were issued by IFAD for each project. Apart from discharging the usual fiduciary responsibilities, the letters specified that UNOPS was to participate in the project start up and supervision missions organised by IFAD. UNOPS was paid a standard amount equal to USD 12 000 per year per project for their services in the specified areas, and all their work in relation to the DSPP would be done only by their New York and Rome offices²⁸. UNOPS has also been involved in other supervision activities that are beyond their designated fiduciary functions (e.g., in providing training to project staff in financial management), for which they have received additional payments from IFAD.

34. IFAD's specific role in the DSPP has been to organise and conduct supervision missions, organise the necessary follow-up and provide overall implementation support required by the borrowers. It is useful to note that in other IFIs direct supervision entails the full assignment of all supervision responsibilities to the IFI itself. However, in view of IFAD's lack of expertise in some fiduciary functions (e.g., procurement) and the limited human resources available, the Fund was not in a position to take on the fiduciary tasks in the context of the DSPP.

35. However, in reality, the involvement of UNOPS at the level of each project in the DSPP has depended on the role the CPMs have performed. For example, as it will be noted in Chapter III, in extreme cases some CPMs were actively involved also in the fiduciary aspects of the DSPP, and did not draw upon the services of UNOPS. In fact, the discussions with UNOPS staff in New York and Rome confirm that UNOPS participation in the DSPP took many forms, ranging from as little as processing the disbursements only, to as much as acting as the supporting agency for all activities related to implementation support.

36. Having described the general modality for direct supervision in the DDSP, there is one aspect of supervision by CIs that deserves to be highlighted. That is, when supervision is entrusted to CIs, the CPMs or IFAD consultants may occasionally provide additional and complementary implementation support to IFAD-supported projects, over and above the supervision missions and related follow-up under the responsibility of CIs. Therefore, it must be noted that when supervision is entrusted to CIs, CPMs have the opportunity to gain some knowledge from the ground and have a chance to be exposed

²⁸ The New York office would be only responsible for the three projects in Latin America, whereas the Rome office would cover the remaining 12 projects in the DSPP.

to implementation issues. It is important to take this into consideration in any comparison between direct supervision with supervision by CIs.

C. Monitoring and Progress Reporting of the DSPP

37. Given the objectives of the DSPP (see paragraphs 8-9), the IFAD management presented to the Executive Board in April 1999 indicators for the measurement of the impact of direct supervision²⁹ - see Box 1.

Box 1: IFAD's impact indicators of direct supervision

1. Period between EB approval and loan effectiveness
2. Disbursement performance
3. Cost of supervision per project/year
4. Timely identification of actual and potential problems and innovative nature of addressing the issues
5. Timely follow-up action during country visits and from headquarters
6. Accumulation of first-hand knowledge and identification of cross-cutting issues to positively influence IFAD's entire portfolio and strategy in a given country
7. Identification of new project concepts for inclusion in the pipeline
8. Period between field mission, receipt of aide mémoire, preparation of supervision report and dispatch of management letter
9. Periodicity and timeliness in the receipt of project reports, e.g., progress report, annual programme of work and budget (APWB) and audit report
10. Timely processing of key documents, withdrawal applications, request for 'no objection', etc.
11. Assessment by implementing agencies

Source: IFAD Progress Report on the Project Portfolio, April 1999. (document EB 99/66/R.10/Rev.1).

38. Furthermore, IFAD committed to reviewing the indicators at least one year after most directly supervised projects have become fully operational. For comparative analysis, the Report of the Joint Review on Supervision Issues for IFAD-Financed Projects, recommended to identify and monitor a control group of CI-supervised projects, similar in other respects to the directly supervised projects.

39. In addition to the above specific direct supervision indicators, as mentioned in the direct supervision guidelines of May 1999, it was anticipated that the MSRs developed by IFAD in response to recommendation number one in the Plan of Action and agreed with the CIs, would also provide a yardstick for measuring the performance of direct supervision activities.

40. In terms of reporting, the GC decided that the progress, lessons learned and results of the test would be reported annually to the Executive Board. Moreover, IFAD would conduct a mid-term review (MTR) of supervision of test projects to be submitted to the Executive Board. Finally, the GC decided that the President shall submit the results of IFAD's experience and conclusions on the DSPP to the Executive Board for its review before the corresponding resolution would cease to be operational (i.e., in June 2006).

41. The evaluation's conclusions about the usefulness of the indicators defined, the corresponding data collection and monitoring systems, general performance of the DSPP (using the aforementioned indicators) and compliance with the reporting requirements are contained in the next two chapters.

²⁹ EB 99/66/R.10/Rev.1

D. Implications of the Selected New IFAD Initiatives

42. **FPPP.** As mentioned in paragraph 24, the Fund has embarked upon a FPPP in 15 countries. Over and above the FPPP, the Fund also has some form of presence in several other countries³⁰. Moreover, the IEE concluded that out-posting of CPMs should be expanded with for example a special focus on large country programmes or those with a high innovative content or in difficult environments. Therefore, the growing emphasis on country presence will have important consequences on the *modus operandi* and costs of both direct supervision and supervision by CIs. According to the evaluation, the experience of direct supervision in the Puno-Cusco Corridor Development Programme in Peru³¹ shows that the permanent presence of the CPM has contributed to building a stronger relationship with the project staff and government, as well as allowed a more active follow-up on implementation issues emerging from the supervision process. However, the evaluation notes that the case of Peru is just one positive example from which a broader generalisation cannot be made.

43. **The new operating model and RIMS.** As mentioned in paragraph 26, the management is developing a proposal for the Fund's new operating model. There are two elements in the new operating model that are likely to have important implications for IFAD's supervision activities. These are: (a) the shift in the unit of account from the project to the country programme level; and (b) the systematic utilisation of RIMS (see paragraph 25) for project monitoring and report on results and impact. IFAD will have to pay attention to these aspects in its future supervision activities. For instance, the Fund's future supervision activities will need to ensure a proper monitoring of and reporting on activities beyond the project level, such as policy dialogue and partnership development. Likewise, supervision will need to be harmonised with RIMS, so that the Fund is able to use supervision reports for aggregation and analysis of results beyond individual projects.

³⁰ For example, in various cases local consultants have been contracted to follow-up on a range of issues (e.g., in Pakistan).

³¹ Peru is the only country where IFAD currently has an out-posted CPM, who was responsible for direct supervision.

III. DIRECT SUPERVISION ANALYSIS

A. Selection of the Pilot Projects

44. Most of the 15 pilot projects were selected according to the criteria presented by IFAD to the Executive Board in September 1997 (see paragraph 31). All projects were IFAD-initiated in the following countries: Armenia, Bangladesh, Benin, Brazil, the Dominican Republic, the Gambia, Gaza and West Bank, India, Indonesia³², Mali, Peru, Sudan, Uganda, Zambia and Zimbabwe. Some projects were co-financed with other donors (e.g. in Uganda with the Belgian Survival Fund), others were in sectors in which IFAD has developed a strategic focus (e.g., the Benin project emphasised micro-finance activities with market-linkages and in Dominican Republic the project included gender oriented policies at all operational levels) and others experimented with innovative institutional arrangements (e.g. in India the project set up autonomous Tribal Development Societies to bring professionalism to programme management, and in Mali the Fund experimented with its first Flexible Lending Mechanism).

45. Two projects (in Gaza and West Bank and Zimbabwe) out of 15 projects in the DSPP have been adversely affected by political instability, which has affected their progress. The Gaza and the West Bank Participatory Natural Resource Management Programme was approved in April 1998 and became effective in February 2000. However, due to the uncertain security situation in the Palestinian Territories, only one short supervision mission was fielded in 2000 and another in October 2003, with limited activities. The Zimbabwe Smallholder Irrigation Support Programme, which was approved in December 1998 and became effective in September 1999, was brought to a halt when the Zimbabwe portfolio was suspended in January 2002 after the Government of Zimbabwe started to accumulate arrears on debt repayments to IFAD. While the inclusion of the Zimbabwe project in the DSPP could be justified by the unexpected events in the country that could have not been foreseen at the time of Board approval, the inclusion of the Gaza/West Bank Natural Resource Management Programme in an unstable country situation did not reflect an appropriate choice for inclusion in the pilot programme.

46. Likewise, although it did meet some of the selection criteria, the evaluation feels that the Bangladesh Agricultural Diversification and Intensification Project was also not an appropriate choice for the DSPP. According to the Asia and Pacific Division itself³³, this project was not innovative as it replicated broadly the design of a previous IFAD-financed project in the country, thus offered limited scope for learning and reflection.

B. Approaches to Direct Supervision

47. There have been various approaches to direct supervision in the 15 pilot projects. Approaches have been influenced by a number of variables such as the management style of the CPM, the relationship between the CPM and UNOPS, his/her understanding and experiences in project supervision, as well as the overall workload of the CPM. Approaches have been influenced by the level of involvement of the CPM in direct supervision, changes in CPMs assigned to directly-supervised projects, as well as variable engagement of UNOPS.

³² The Matala Regional Economic Advancement Project (MREAP) in Sri Lanka, approved by the Executive Board in December 1998, was originally one of the three projects in the Asia and Pacific region selected for the DSPP. However, in April 2001 the Board agreed to IFAD's proposal to replace MREAP with the Indonesia Post Crises Programme for Participatory Integrated Development in Rainfed Areas (PIDRA). The rationale for the exchange was that PIDRA was more in line with the Asia and Pacific division's and the Fund's strategy at the time. PIDRA was hence brought into the DSPP, whereas UNOPS was appointed as CI for MREAP.

³³ See "Lessons from Direct Supervision" by the Asia and Pacific Division dated 19 May 2005.

48. The approaches adopted across the 15 pilot projects may be grouped into four broad categories. These include:

Approach 1: CPM is intensively involved in all the steps in direct supervision, including the fiduciary aspects such as procurement review and loan contract administration. In such cases, s/he leads every mission, writes mission reports, follow-ups on recommendations, reviews all procurement documents, and works with project staff in the preparation of the annual work plan and budget. In such approaches the involvement of UNOPS has been limited basically to disbursement processing;

Approach 2: CPM completely delegates fiduciary aspects to UNOPS (procurement, disbursement, loan contract administration) and focuses on supervision matters, although s/he may not write mission reports as this would be done by the mission leader who would be a consultant. Moreover, his/her involvement in the development of the work plan and budget is not as intensive as in approach 1;

Approach 3: CPM appoints consultants who would be largely responsible for leading supervision missions and production of the corresponding documentation. The CPM may participate in key stages of the missions or divide his/her time visiting different project sites. In both approaches 2 and 3, UNOPS representatives may join supervision missions as well. In this approach, the CPM takes a management role and focuses on mission deployment and ensuring that all outputs are produced as required; and

Approach 4: This approach is specific to those countries where IFAD has some form of local representation (e.g., in India and Peru). In such circumstances, the local representative plays an important part in direct supervision (which could be organised according to any of the above three approaches), by participating in supervision missions and ensuring a constant follow-up between missions on the key issues emerging during supervision.

49. The distribution of the pilot projects across the four approaches is fairly evenly spread with 4 projects each following Approaches 1-3 and 2 projects in Approach 4. It is difficult to make generic conclusions on the most relevant approach to direct supervision across the board, as each project circumstance is unique in terms of the institutional arrangements, country programme and so on. However, some basic analysis can be made of the four approaches. The advantages and disadvantages of each approach are shown in Table 2.

Table 2: Advantages and disadvantages of the various direct supervision approaches

Approach	Advantages	Disadvantages
<i>Approach 1</i>	<ul style="list-style-type: none"> • High opportunity for learning for individual CPM • Strong relationship developed between CPM and country • IFAD has higher profile in country • Better possibilities to achieve IFAD strategic objectives at the country level, such as policy dialogue and partnership development • Very responsive to project requirements and in follow-up 	<ul style="list-style-type: none"> • High time investment affecting overall workload and competing with other priorities • Cost is higher than CI supervision, especially given CPM time investment • Occasional tendency to involve with project micro management,
<i>Approach 2</i>	<ul style="list-style-type: none"> • CPM closely involved in supervision missions and implementation support, and not fiduciary processes • The advantages of approach 1 are also applicable especially for experienced CPMs • More effective time and cost management • Very responsive to project requirements and in follow-up 	<ul style="list-style-type: none"> • Standard budget allocation to UNOPS is inadequate to undertake all supporting fiduciary requirements, thus the quality of work could be sacrificed • Can be more confusing for projects as to who they communicate with UNOPS or CPM • Less learning opportunity for less experienced CPM • Need for a better CI agreement and Letter of Appointment prepared for each project according to the specific circumstances
<i>Approach 3</i>	<ul style="list-style-type: none"> • Good working relationship between CPM and mission members • International consultants bring in innovation and cross-fertilisation of processes • Less likely to have conflicting priorities as other approaches • Can be very responsive when mission members are well known to the project • Local consultant, particularly those with international experience, could provide adequate support to the CPM 	<ul style="list-style-type: none"> • Limited opportunities for CPM to acquire knowledge on supervision and rural development processes • Direct policy dialogue and partnership building is less likely to occur • Little difference distinguished between direct supervision and CI supervision • Costs are higher than CI but with less of the advantages of other approaches • Lower profile approach for IFAD
<i>Approach 4</i>	<ul style="list-style-type: none"> • Good relationship and profile between IFAD and country and with other development organisations • Good relationship with the PMU • Policy dialogue is more likely to occur if the country presence has a role that extends beyond logistical support • Better use of local resources • Greater opportunity to develop local capacity and learning 	<ul style="list-style-type: none"> • Link between country and IFAD not clear to capture learning

C. Implementation of Direct Supervision Activities

50. The evaluation reviewed the experiences in the implementation of direct supervision activities and compared them with the activities of the CIs (by reviewing the experiences of the evaluation control group projects) to the extent possible within the same country. The findings are reported below:

51. **Supervision planning.** Supervision planning has generally not been adequately covered during the preparation of the Country Opportunities and Strategic Papers (COSOPs) nor during the project design phase. However, the evaluation feels this is something that should be included earlier in strategy and programming exercises. Moreover, no evidence was found of annual supervision plans being prepared, which would guide the overall supervision process and related activities. These findings are generally applicable to both directly supervised and CI supervised projects in the control group. The ESM arrived at the same finding – (see Box 1., p. 15 in the ESM report).

52. **CPM continuity in direct supervision.** CPM continuity in direct supervision activities is considered an important contributor to the success of the programme. In 5 of the 15 projects directly supervised by IFAD, there were more than 3 CPMs allocated to each project in the last 5 years. Such high CPM turn over rate has affected the implementation of the pilot in the concerned countries, where the overall results have not been as encouraging. Given the experimental nature of the DSPP, the evaluation feels that division managers should have paid special attention to ensuring the required continuity in CPMs across the 15 pilot projects. Moreover, mechanisms for smooth transition when new CPMs were entrusted with direct supervision responsibilities were not apparent in most cases. For example, there was no consolidated documentation summarising the experiences that the new CPM could benefit from. Neither was any special arrangement made for project hand-over or a minimum period of overlap with the outgoing CPM defined. Conversely, the evaluation notes that CPM continuity has contributed to better implementation performance, as evident from various project implementation indicators in PMD's project status reports.

53. **Start-up Workshops.** The start-up missions/workshops have not been adequate in preparing project staff to ensure an effective project implementation. The pattern was found to be similar across both the directly supervised and control group projects. Feedback received from 77% of the projects was that from the short initial workshop (usually 2-3 days with up to 100 participants) either strong follow-up was required by project staff or subsequent missions grappled with issues that could/should have been addressed at start-up. A strong relationship between project staff and the government contributed to successful project launching, but where project staff were not as close to governments, it is noted that start-up procedures had not been sufficient to support project implementation. Most project managers indicated that this workshop was essential to understand the project documentation prepared by IFAD, and hence greater attention needs to be devoted to this activity.

54. **Supervision mission frequency and duration.** The major difference between direct supervision and CI supervision is that the frequency of direct supervision missions was higher than CI supervision. The directly supervised projects have received close to 2 supervision missions per year against 1 supervision mission for the control group of projects supervised by CIs. Moreover, the average mission days per year are 15.2 days for direct supervision as compared to 11.2 days for the control group of projects supervised by CIs.

55. **Supervision mission composition.** The composition of supervision mission teams is not significantly different between the directly supervised projects and those in the control group, with both groups making high use of local consultants, and more consultation between IFAD, the country and the project on the nature of expertise required for each mission. Direct supervision missions on average comprised 2.6 personnel, compared to 2.5 for the control group. Furthermore, in 31% of the directly supervised projects, there have been instances where the consultants have worked both on CI supervision and direct supervision missions. It is worth noting that the Annual Report on the Results

and Impact of Operations Evaluation in 2002³⁴ stated that one of the “weak points” of supervision by CIs is “the narrow skill composition of its supervision missions in respect of social aspects”. The evaluation would broadly support this conclusion (see section E in this chapter for more details).

56. **Mid-term reviews.** The MTR is seen as a critical stage/activity in the project implementation period. According to the direct supervision guidelines, a MTR would be carried out at least once during the project implementation period. The MTR, which is part of the overall supervision process, provides an opportunity to take a holistic perspective of implementation progress and introduce corrective measures to ensure the project will achieve the desired results. In total, so far eight of the projects directly supervised have benefited from MTRs, whereas 11 projects in the control group have had a MTR. This is understandable given that the average implementation period so far of the directly supervised projects is less than that for the control group projects (see paragraph 77). Moreover, it should be noted that two of the direct supervised projects (in Gaza/West Bank and Zimbabwe) have not taken off due to their unfavourable operating environments and hence a MTR has not been conducted there for obvious reasons (see paragraph 45).

57. In the case of the DSPP, the MTR has offered the opportunity to formalize a number of decisions that were taken during the regular supervision missions that preceded the MTR. That is, given the more constant and intensive interaction between IFAD and the project authorities in directly supervised projects, the CPMs have been able to stay on top of implementation issues and take key decisions within the framework of supervision missions themselves, rather than to wait till the MTR stage (e.g., in the Brazil there was an expansion of the project area and in Peru more attention was devoted to commercial aspects than envisaged at design). Hence, the MTRs do not appear to have been as critical in context of the DSPP. The MTR has been a more critical instrument in CI supervised projects, as it provided CPMs the possibility to conduct a comprehensive review of what has been done and introduce the required corrective measures to project design and implementation arrangements. This is consistent with the findings of the IEE³⁵: “CIs tend to focus on financial and fiduciary aspects to the neglect of development issues. This shortcoming contributes to design issues being deferred until mid-term.”

58. **Supervision reporting.** The quality of supervision reports varied considerably across the directly supervised projects. There was no standardised approach in spite of the provisions outlined in the direct supervision guidelines. For example, some reports were lengthier than others containing different information, some CPMs produced just comprehensive aide memoires but not supervision reports, not always was a back to office report prepared, and supervision missions did not report adequately on the PMD impact indicators for direct supervision.

59. In more than half of the pilot projects, CPMs delegated the main report writing to consultants. Hence, there was little distinction between the reporting in the directly supervised and control group projects. Attention in the supervision terms of reference and reports of direct supervision has largely focused on implementation issues and on physical and financial achievements, and less on lessons learned and impact. The same may be said of supervision reports prepared by CIs. This is a significant shortcoming in the implementation of the DSPP, which specifically intended to generate knowledge on supervision issues and rural development matters. This has led to missed opportunities to incorporate learning into project design across the institution and to improve the supervision activities of co-operating institutions in general, which were two of the concerns of the pilot programme. However, there has been better coverage in most supervision reports of directly supervised projects to issues of specific concern to IFAD, such as targeting, gender mainstreaming, empowerment and participation, building of grassroots organisations and so on. This is consistent with the findings in the ESM report (see ESM, paragraph 35). Lastly, as per the Annual Report on the Results and Impact of Operations Evaluated in 2002, CIs tend to provide “over-optimistic assessments of project performance”.

³⁴ EB 2003/79/R.5

³⁵ See executive summary paragraph 18, document EB 2005/84/R.2

60. One interesting observation is that the documentation of the directly supervised projects is more complete and easily accessible at IFAD than those for the control group projects. However, in general the filing of supervision documentation is mostly manual and reports are available only in hard copy. It thus requires enormous effort to collect a comprehensive set of supervision documentation.

61. **Supervision feedback.** The direct supervision guidelines defined a clear process for preparing reports and organising the feedback and follow-up from each supervision mission. The key steps were the preparation of: an aide memoir in the field to be discussed and signed jointly by IFAD's representative and the chairperson of the supervision mission's wrap-up meeting; and circulation at headquarters of a back to office report together with the aide memoir; the draft management letter to be sent by fax as an advance copy to selected partners at the country level; the main supervision report based on a agreed upon table of contents and sent together with the original management letter to the government, project staff, co-financier, and others concerned.

62. Based on its analysis, the evaluation concludes that the DSPP did not systematically follow the set procedures established for feedback. Often an informal mode of communication was chosen rather than following the official channels. For example, in several projects, the CPMs would send directly the aide memoir/supervision reports only to the project staff with no copies to the concerned government ministry in the capital city and other partners. The preparation of management letters was not systematic and often was not complied with. In spite of the above, the evaluation notes that there is generally a faster response to project queries and follow-up on supervision recommendations in direct supervision as compared to CI supervision. The same conclusion was arrived at in the ESM report. The IEE also came to the same conclusion. It stated that IFAD needs to "be more responsive to supervision missions and reports" and that in one project, "the supervision reports contain repeated comments concerning bad management, yet this does not seem to have been sufficient to sound the alarm"³⁶.

63. The feedback in supervision undertaken by CIs is also erratic. Few CIs produce all the required documentation. For instance, some only produce an aide memoir, but no supervision reports. Not all the different documents prepared by CI supervision missions are sent to the concerned projects, and on various occasions the mission TOR are not shared with project staff and other stakeholders. These finding coincides with the results in the ESM (see ESM report, Box 3, p. 20 and paragraph 49, p. 18).

64. The inadequate type and quality of reports and feedback brings up the critical issue of the current lack of quality assurance systems in the overall supervision activities of IFAD. This will be discussed later in this chapter.

65. **Government's participation in supervision processes.** No notable difference was observed in the participatory processes between IFAD direct supervision and supervision by CIs. However, on this issue, there appears to be a clear preference for the increasing trend in conducting joint review missions (as organised by some of the IFIs) with the concerned governments, as opposed to the traditional supervision missions. Joint review missions, as practiced by the Asian Development Bank and the World Bank, are seen as a way to increase the level of national involvement and ownership in supervision activities. It is also seen as a mechanism to increase the capacity of the national government in oversight, monitoring and evaluation, and strategic project/program management. Similarly, there was an interest in the projects and the government becoming more involved in identification of the key skills required for the next mission, and whether the expertise required is available within the country or should be brought in from other countries. More open processes in supervision reporting were raised in 69% of project respondents so that mission findings could be more readily understood and acted upon. Finally, the term 'supervision' itself was raised by many partners at the country level as being top-down, one which did not reflect the partnership ethos between the partner country and the concerned international organisation.

³⁶ Paragraph 5.30, Annex 4, Final IEE Report

66. **Project Status Reports (PSRs).** A PSR of 3-4 pages is prepared for each project. The PSRs provide a summary of basic project data, objectives and components. Moreover, they include an assessment (including ratings) of project implementation performance and provide an overview of the achievement of project objectives. It is a key instrument for the IFAD annual portfolio review process, both at the PMD regional division and departmental level. The PSRs also capture the follow-up of recommendations from previous portfolio reviews, as well as from evaluation and supervision missions. PSRs are updated 1-2 a year, and form the basis for the preparation of the yearly Portfolio Performance Report of IFAD.

67. PSRs are prepared by CPMs using information collected during supervision missions and other sources. They use the same format for both directly supervised and CI-supervised projects. There are some issues that merit to be highlighted both in terms of content and process of the PSRs. On the content, in the PSRs of directly supervised projects, there is no analysis or lessons on direct supervision processes or information on costs. Secondly, while the same progress and impact indicators are rated in both sets of PSRs, which facilitates comparisons, the PSRs like the supervision reports of the directly-supervised projects do not include ratings on the IFAD impact indicators for direct supervision (see Box 1). For CI-supervised projects, the CPMs include an assessment of the CI's performance and assign a corresponding rating. For directly supervised projects, the PSRs do not include a rating of IFAD's performance in direct supervision. With regard to the process in the preparation of the PSRs, it must be noted that the PSRs of CI-supervised projects are done by the CPM concerned, whereas the same CPM responsible for direct supervision prepares the PSR for the project under his/her direct supervision.

68. **Project level monitoring and evaluation (M&E) systems and progress reports.** The average rating of the performance of M&E systems according to the PSRs in directly supervised is slightly better than CI-supervised projects. However, the issue to highlight here is that the directly-supervised projects were not asked to fine-tune their M&E systems nor the periodic progress reports to include data collection, analysis and reporting on the IFAD impact indicators. This has added to the challenges in analyzing the impact of the projects in the DSPP.

69. **Partner preference for direct supervision.** The field visits undertaken by the evaluation team reflected in almost all cases a very strong support to direct supervision. The opinions of government authorities and project managers highlighted the advantages of having a direct contact with IFAD through the CPMs and the added efficiency to the system when dealing directly with the lender. This finding is consistent with the results on direct supervision in the ESM (see paragraph 69 in the ESM report). There was one case in which the criticism was not directed to direct supervision as an approach, but to the constant staff changes at the CPM level that the project had experienced, as well as to the perceived lack of seniority and qualifications of some staff assigned by IFAD for the task.

70. The DSPP has given CPMs the opportunity to become well known *in situ*. They are held in high esteem by governments and project staff. Governments, in particular, appreciate the frequent exchanges with CPMs as they allow for a closer dialogue with the Fund. Not least, these interactions serve to advance dialogue in procedural and policy matters, which is less effective through a third party such as the CIs. Other development organisations view IFAD not as a competitor but complementing their work at the country level. In fact, they favour an inter-agency exchange of knowledge or having IFAD take the lead on rural development issues and operations. As such, in a number of directly supervised projects, IFAD had an opportunity to build better relationships with development organisations working at the country level.

71. **Field presence.** It is interesting to note that the concept of field presence was strongly supported by all partners who were met at the country level. In the case of Peru where IFAD has an out-posted CPM or in other countries where IFAD has a local representative, the link with the national government was strong as was logistical support for supervision missions and related follow-up activities. It should be noted that countries where there is a form of field presence, for example, a coordinating office but where the office is only involved in logistical support and not directly in the

supervision process, the level of relationship between the government and IFAD was not as high. Main reasons given in support of field presence were: a more direct relationship between the government and IFAD; improved country context understanding by IFAD; better opportunities to identify local consultants for supervision and implementation support; greater opportunities for policy dialogue; and faster response to issues affecting project implementation. The ESM (see Box 2 in the ESM report) also arrives at the same conclusion.

72. **Fiduciary aspects.** Fiduciary aspects (under the formal responsibility of UNOPS) for directly supervised projects perform slightly better than for the control group, see Table 3. This finding is consistent with the ESM finding in that UNOPS tends to perform better than other CIs. As UNOPS is the only CI involved in the DSPP, it is not unexpected that there would be a higher level of performance than for the control group which incorporates a variety of CIs.

Table 3: Summary comparison of fiduciary aspects ratings

Groups	Supervision administration	Loan/procurement administration	AWPB processes
Directly supervised projects	2.9	3.4	2.9
CI-supervised projects	2.4	2.4	2.0

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: Based on the data collected by and analysis of the evaluation

D. Project Implementation Performance

73. The evaluation firstly compared project implementation performance using indicators and ratings for both the directly supervised and the control group projects contained in the PSRs. Thereafter, the evaluation used the same set of indicators included in the PSRs, and based on its own independent ratings, compared the implementation performance of the directly supervised projects with those supervised by CIs. The evaluation's independent ratings is a composite of their assessment based on the desk review of documents especially OE evaluation reports and IEE reports (see paragraph 17), field work, and interviews with project staff, CPMs and IFAD management as well as with government officials and representatives of other development organisations.

74. One fact needs to be highlighted in comparing the PSR ratings. That is, not all projects became effective at the same time. Hence, their progress may not be comparable in some areas (e.g., achievement of physical targets) with projects with more advanced implementation. Therefore, in order to reduce any positive or negative bias, the evaluation took the ratings in the PSRs (for each project) from the last 5 years, to the extent possible, and calculated averages for each indicator. It is worth noting that 2 of the indicators (disbursement performance, and timeliness of reporting) in the Table 3 coincide with the indicators of IFAD for the measurement of impact of the DSPP.

Table 4: Project Implementation Performance Assessed According to Ratings Included in Project Status Report (PSR)

Indicators Included in PSR	PSR Ratings		
	Directly Supervised	Control Group	Difference
Compliance with loan covenants	3.4	3.1	0.3
Availability of counterpart funds	3.5	3.2	0.3
Compliance with procurement procedures	3.7	3.5	0.2
Disbursement performance	3.4	3.0	0.4
Achievement of physical targets	3.3	3.1	0.2
Technical assistance progress	3.5	3.1	0.4
Performance of M&E system	3.2	2.6	0.6
Timeliness of reporting	3.6	3.2	0.4
Coherence between AWP/B and implementation	3.4	3.2	0.2
Quality of accounts	3.5	3.4	0.1
Project management performance	3.3	3.1	0.2
Expected benefits	3.4	3.2	0.2
Beneficiary participation	3.5	3.3	0.2
Institution-building	3.4	3.2	0.2

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: PSRs

75. As can be seen from Table 4, according to the average PSR ratings, the directly supervised projects perform better than CI-supervised projects. One explanation of this could be more optimistic reporting by CPMs, who as mentioned previously, are responsible for the preparation of the PSRs themselves.

76. Table 5 illustrates the evaluation's independent ratings comparing the implementation performance of the directly supervised projects with the projects supervised by CIs. As mentioned in paragraph 74, the assessment is made across the same indicators included in the PSR. The evaluation's own assessment also demonstrates that on the whole directly supervised projects have a better implementation performance as compared to CI-supervised projects. However, as per the evaluation, the control group projects fair marginally better across three indicators (achievement of physical targets, timeliness of reporting, coherence between the annual work plans and budgets and project implementation).

Table 5: Project Implementation Performance Assessed According to Ratings of the Evaluation

Indicators Included in PSR	Evaluation's Independent Ratings		
	Directly Supervised	Control Group	Difference
Compliance with loan covenants	3.3	3.0	0.3
Availability of counterpart funds	3.4	2.8	0.6
Compliance with procurement procedures	3.7	3.4	0.3
Disbursement performance	2.6	1.9	0.7
Achievement of physical targets	3.0	3.2	-0.2
Technical assistance progress	3.3	3.1	0.2
Performance of M&E system	2.8	2.6	0.2
Timeliness of reporting	2.8	2.9	-0.1
Coherence between AWP/B and implementation	3.0	3.1	-0.1
Quality of accounts	3.4	3.2	0.2
Project management performance	3.3	2.9	0.4
Expected benefits	3.4	3.1	0.3
Beneficiary participation	3.1	3.1	0.0
Institution-building	3.1	2.5	0.6

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: Based on the data collected by and analysis of the evaluation

77. The average period of time projects have so far been under implementation in the control group is higher (6.5 years) than for directly-supervised projects (4.8 years). This may explain the slightly better performance of the control group projects in terms of achievement of physical targets. Another related explanation is that, on the whole, directly-supervised projects have paid greater attention to 'software' aspects (institution building, gender mainstreaming, etc) of development in the initial period of implementation, which may also affect the overall pace in achieving physical and financial targets.

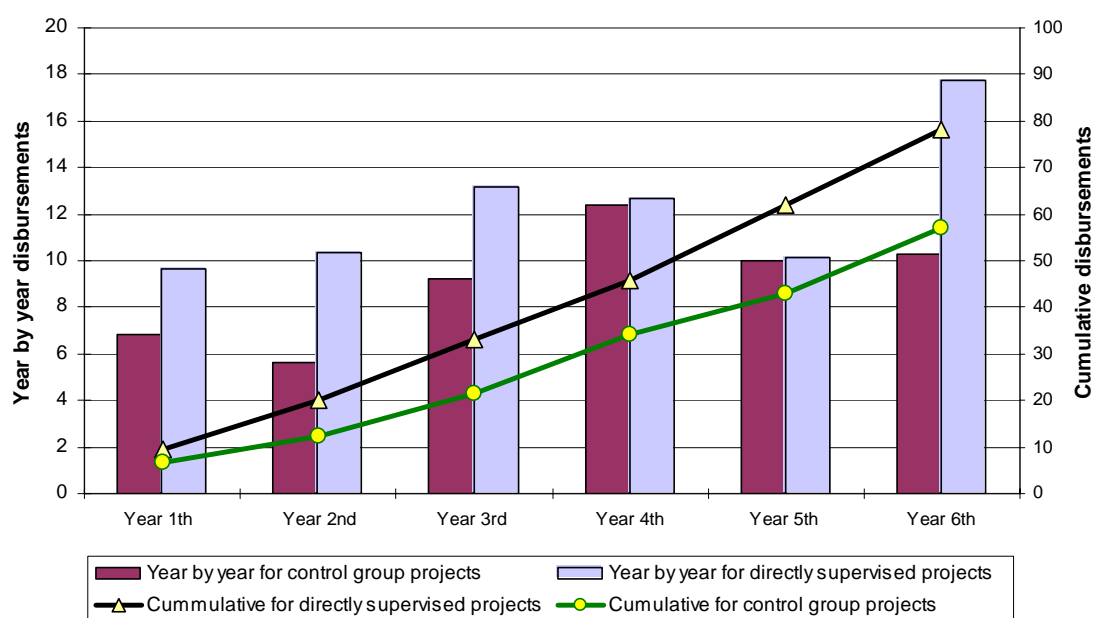
78. There are other two indicators (timeliness of reporting³⁷, and coherence between annual work plans and budgets and implementation) where the directly-supervised projects perform less well compared to the control group projects. With regard to the latter group of projects, this may be partly because UNOPS and the other CIs, as sub-contractors, are obliged to devote particular emphasis to the project's reporting responsibilities and its annual budget and work plan processes. Furthermore, the variable project operations experience of some CPMs could be a contributing cause for weaker performance on issues related to the annual work plans and budgets.

79. Comparisons between the directly supervised projects and the 15 projects in the control group were also undertaken across two additional indicators: (a) average time between approval and effectiveness, and (b) disbursement performance, included in the IFAD list of indicators to measure the impact of the DSPP (see Chapter II, Box 1). The analysis reveals a favourable performance towards directly supervised projects. That is, the average time lag between approval and effectiveness is 15.36 months for directly-supervised projects as compared to 17.21 months for all other projects in the same country. The average time lapse between the directly supervised projects and the CI-supervised in the control group is nearly the same, with the former requiring 15.36 months for effectiveness as opposed to 15.10 for the latter.

³⁷ This refers to the submission by the project authorities of the periodic progress reports, audit reports, the annual work plan and budget and so on.

80. The average rating arrived at by the evaluation team for disbursement performance of directly supervised projects is 2.62 as compared to 1.93 for CI-supervised projects in the control group. In fact, Figure 1 illustrates that both by project implementation year and in cumulative terms, disbursement performance of directly-supervised projects is higher than for CI-supervised projects in the control group.

Figure 1: Average disbursement rate (%) by project implementation year



Source: Data from the Loan and Grants System of IFAD

81. Finally, there is one additional indicator not included in the PSRs that has been reviewed by the evaluation. That is the time over-run factor in project implementation (number of years/months a project is extended beyond the original completion date). Based on the calculations made by the evaluation, the overall time-over run for directly supervised projects at this stage³⁸ is on average 0.54 years, as compared to 1.4 for projects in the control group³⁹. Time over-run is an important indicator, as it reflects the soundness of design, but also the ability of the supervision process to recommend timely corrections and improvements during implementation, as and when required. Time over-run is significant also because it has an administrative cost implication for the Fund, since additional supervision costs and related staff time need to be allocated for the time projects run beyond their original closing date.

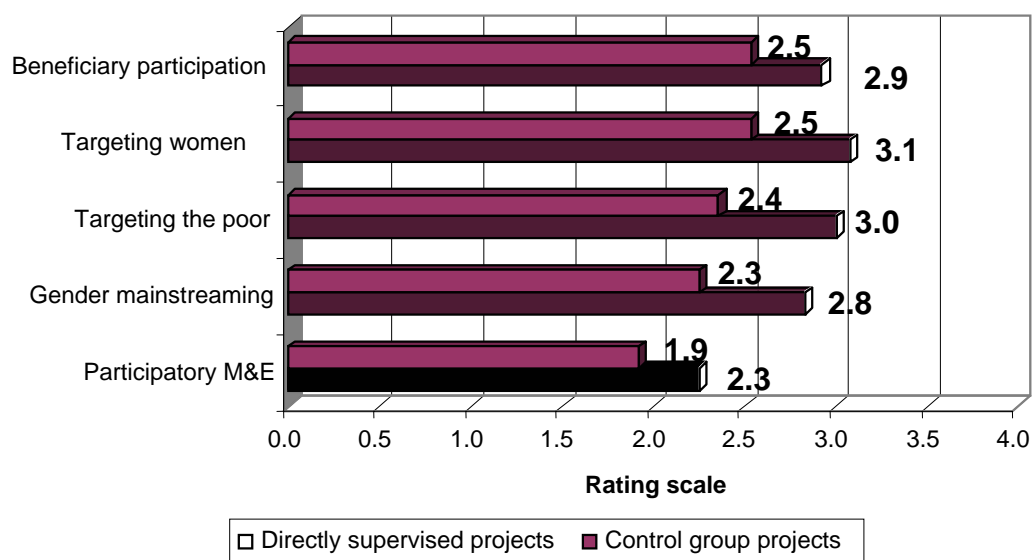
E. Human (social) Dimension in Supervision

82. The DSPP design highlighted the need to emphasize the “human dimension” through direct supervision activities, including beneficiary participation, targeting of women, targeting the poor, gender mainstreaming and participatory monitoring and evaluation. Figure 2 illustrates there is positive difference between the directly supervised and CI-supervised projects in the control group, with all indicators being better in the case of directly-supervised projects. The trends, based on the evaluation’s ratings in Figure 1, are by and large consistent with the ratings included in the PSRs of the directly supervised and control group projects (see Table 4).

³⁸ Directly supervised projects have been so far on average under implementation for 4.8 years against 6.8 years for the projects in the control group.

³⁹ It is important to note that only 3 out of the 15 control group projects are closed, against 2 out of 15 the directly supervised projects.

Figure 2: Emphasis on human dimensions in supervision



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

83. The evaluation further noted that the coverage of the above issues is very comprehensive when a social scientist is included in the supervision missions. This is particularly important as not all CPMs have special expertise or experience in these areas. This also leads to the conclusion, which is consistent with the findings of the ESM report (see page 46), that there is need to build greater capacity within IFAD but also in the CIs to address the human dimensions of IFAD-funded operations.

F. Attention to Key Areas Related to IFAD's Catalytic Role

84. Direct supervision has provided IFAD an opportunity to follow-up on its key development concerns. In particular, as Figure 3 illustrates, the DSPP allowed for greater focus on issues such as innovation, partnerships, knowledge management and policy dialogue, which according to the IFAD strategic framework contribute to improving project performance and impact. In each country exposed to direct supervision, the presence of the CPM during supervision is seen as an opportunity for policy dialogue, strengthening partnerships and emphasising impact⁴⁰. With regard to emphasising impact, the Annual Report on the Results and Impact of Operations Evaluation in 2002 observed the CIs “prevailing attention to physical achievements to the detriment of social development and impact aspects”. This is consistent with the conclusions of the External Review of the Results and Impact of IFAD Operations⁴¹, which stated that the more challenging issues for supervision through “CIs was the provision of technical and institutional/policy advice during project implementation”.

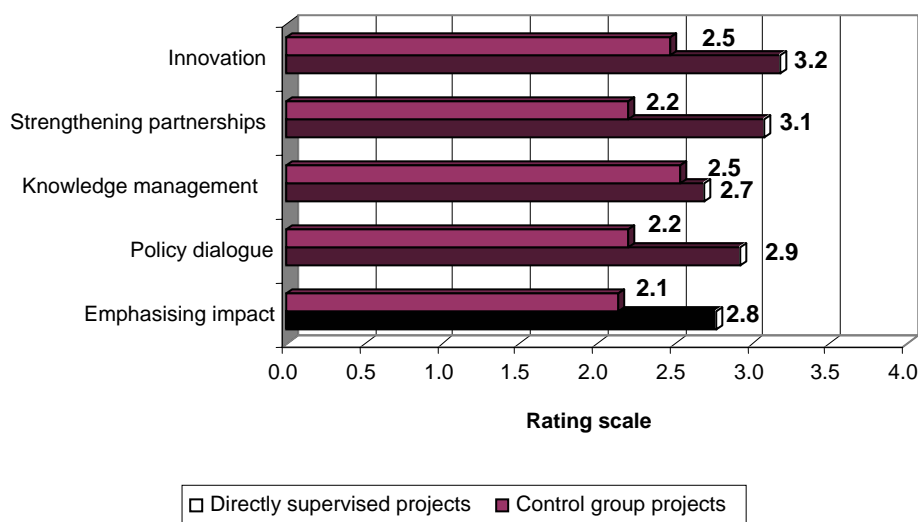
85. However, it can be noted that the evaluation's rating for knowledge management for the directly supervised is only marginally better than for the projects in the control group. This is partly explained by the fact that while the knowledge acquired through direct supervision at the individual CPM level was high, there was no systematic effort to document, analyse or share such learning from direct supervision. Moreover, no specific activities were conducted or resources allocated to knowledge management in the directly supervised projects, and their supervision reports did not emphasise

⁴⁰ “Emphasising impact” means that greater attention has been devoted to improving the functioning of the project's M&E system, ensuring that the projects make appropriate use of the logical framework as a tool for the preparation of a results-based annual work plan and budget, and so on.

⁴¹ Document REPL VI/3/R.2 discussed in the 6th replenishment meeting in July 2002

lessons learned. The same is true for the projects in the control group. However, this is considered a particular shortcoming in the case of direct supervision, as knowledge management in the broader sense was a specific objective of the DSPP (which is not the case for CI-supervision). Finally, it is not possible to comment on the comparison between the evaluation's ratings with the PSR ratings on the indicators in Figure 3, as the PSRs do not provide a rating in these areas.

Figure 3: Attention to key issues related to IFAD's catalytic role



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

G. Development Effectiveness

86. Although enhancing development effectiveness⁴² was not an explicit objective, following a review of the proposal of the pilot programme submitted to the GC, direct supervision was implicitly expected to contribute to improving the impact that projects would have on the lives of rural poor households. The direct supervision guidelines of May 1999 acknowledged “that better supervision will lead to better implementation and better results on the ground”.

87. The first thing to note is that no specific ongoing monitoring and reporting mechanisms to trace project impacts were established, neither at the individual project level nor for the DSPP as a whole. There was a recommendation in the Report of Joint Review on Supervision Issues for IFAD-Financed Projects⁴³, that, “for comparative analysis a control group of CI-supervised projects similar in other respects to the directly supervised projects” should be established. However, a control group was not identified and monitored.

88. Furthermore, in the April 1999 session of the Executive Board, while presenting the indicators for the measurement of the impact of direct supervision, the management had given indications that a control group would have been defined. As mentioned in the previous paragraph, such a control group was not defined and no corresponding data could thus be collected. This has compounded the challenge for the evaluation in determining the contribution of direct supervision on development effectiveness. Nevertheless, the evaluation has made efforts to analyse the development effectiveness of the directly supervised projects and compare them with the projects in the control group.

⁴² For the purpose of this evaluation, the term development effectiveness encompasses the extent to which the DSPP's overall objectives have been met, the efficiency in implementing the pilot programme, as well as the contribution of direct supervision in improving project implementation and their potential impacts.

⁴³ See page 25 of the said report

89. In this regard, based on its independent assessment and ratings, the evaluation has undertaken three specific types of comparison that provide an overview of the development effectiveness of the directly supervised projects in relation to the CI supervised projects in the control group.

90. Firstly, based on three indicators, an assessment is made on the overall quality of supervision. These indicators are also used by the World Bank's Quality Assurance Group in determining the quality of their supervision, which is considered an important ingredient in achieving development effectiveness. In fact, the Operations Evaluation Department of the World Bank in one of their recent evaluations have concluded that "well-supervised projects are twice as likely to succeed as are poorly supervised-projects"⁴⁴. Table 6 shows the evaluation's assessment over three indicators, which show a favourable trend towards direct supervision.

Table 6: Comparison between direct supervision and CI supervision quality⁴⁵

Groups	Quality of supervision recommendations	Follow-up actions	Support provided to project
Directly supervised projects	3.3	3.2	3.3
CI-supervised projects	2.9	2.5	2.7

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: Based on the data collected by and analysis of the evaluation

91. Secondly, Figure 4 shows a comparison based on the evaluation's assessment between directly supervised and control group projects using the 11 IFAD impact indicators for the DSPP. As can be seen, by and large the directly supervised projects do better than those supervised by CI. However, from the chart it can be seen that the control group projects perform better in terms of the timeliness of reporting. This is consistent with the PSR ratings and explanations have been provided in paragraph 78. It can also be seen that the ratings for costs favour CI-supervision (this will be discussed in Chapter V), as supervision by CIs on average costs less. Lastly, the evaluation was not in a position to attribute a rating for the "assessment by implementing agencies" for the CI-supervised projects in the control group due to lack of data. However, as mentioned elsewhere in the report (see paragraphs 69-70), the evaluation noted that implementing agencies overwhelmingly favour direct supervision by IFAD against supervision by CIs.

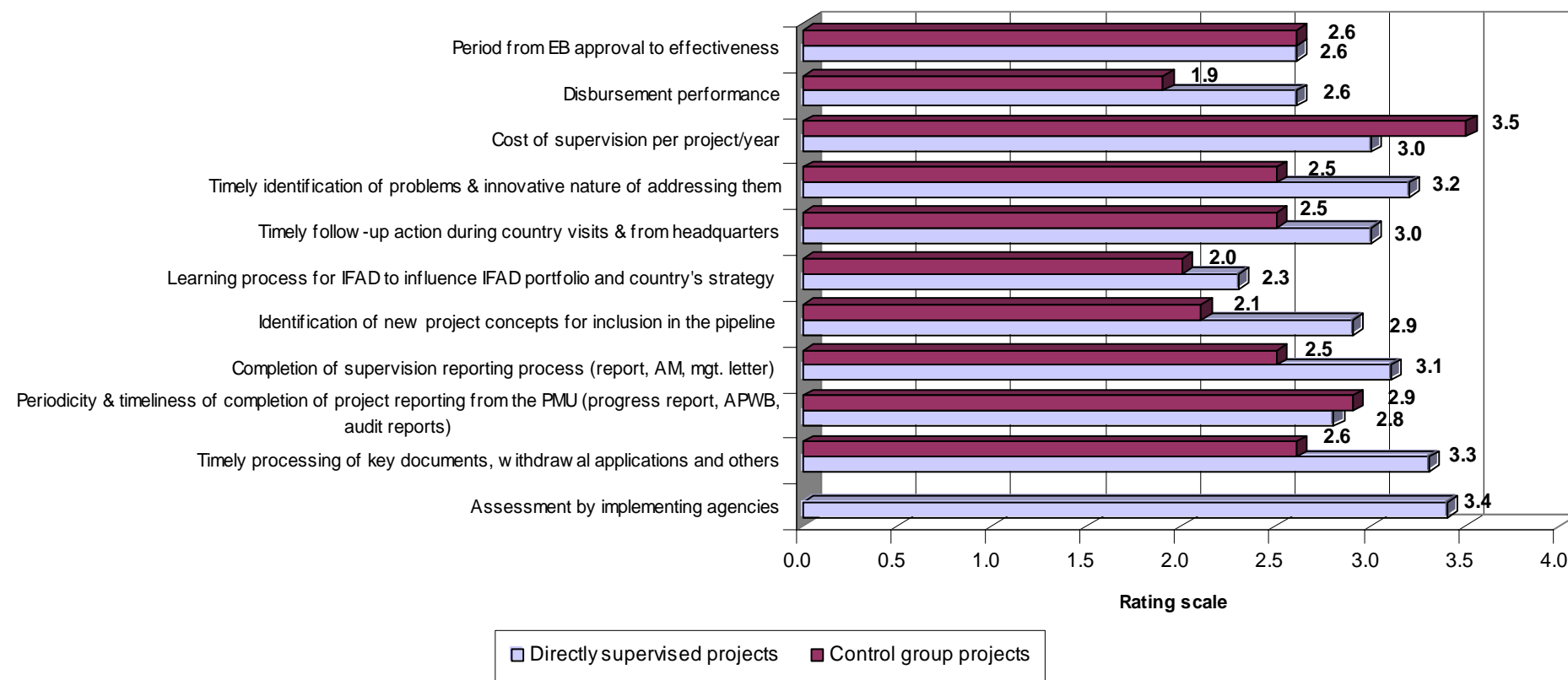
⁴⁴ Paragraph 1 in the website of the Quality Assurance Group of the World Bank (see section on Quality of Supervision).

⁴⁵ **Quality of supervision recommendations** in terms of the appropriateness of advice and proposed solutions to the Borrowers (including action plan), and consistency with the recommendations of the last mission.

Follow-up Actions refers to the appropriateness and speed of IFAD's follow-up on agreed actions (including suspensions and warnings, if necessary).

Support provided to project refers to timely identification of implementation problems and timely support in solving problems throughout project implementation rather than only during missions.

Figure 4: Assessment of direct supervision and CI-supervision based on IFAD impact indicators



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

92. Thirdly, Table 7 shows the evaluation's ratings using the six impact domains in the OE methodological framework for project evaluation (MFE). Moreover, the two overarching factors in the MFE (sustainability and innovation/replication) have also been included in the analysis. It is important to note that the impact assessment analysis has been undertaken at the time of the evaluation and since most projects in the DSPP and the control group have not yet closed, the data in Tables 7 and 8 should be viewed as the expected results in terms of project impacts.

Table 7: Impact using the Methodological Framework Project Evaluation (MFE)

Groups	Physical and Financial Assets	Human Assets	Social Capital and Empowerment	Food Security (Production, income and consumption)	Environment and Communal Resource Base	Institutions, Policies and Regulatory Framework	Sustainability	Innovation/ Replication
Directly supervised projects	2.7	2.9	3.3	2.9	2.5	2.8	2.5	3.0
CI-supervised projects	2.6	2.9	2.7	2.5	2.8	2.0	2.8	2.6

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: Based on data collected by and analysis of the evaluation

93. As it can be seen from Table 7, the directly supervised projects are rated better in most impact domains. However, in two impact domains (environment and sustainability), the directly supervised projects perform less well as compared to the CI-supervised projects.

94. With regard to the above, it should be noted that 12 of the 15 projects in the control group included a specific objective or component related to environmental matters. Moreover, their supervision missions have normally reviewed the progress in this area. On the other hand, the five directly supervised projects that have a specific environmental component have not always included the required skills to undertake a thorough assessment of environmental issues and to provide the necessary backstopping to project staff. Furthermore, environmental matters have not received the same level of focus within IFAD at large as other areas such as gender mainstreaming and social capital formation. Finally, some of the directly supervised projects (in Brazil, India and Sudan, for example) with environmental objectives suffered delays in implementation due to compelling political and administrative circumstances beyond the control of IFAD.

95. On sustainability, the slightly less positive ratings of the directly supervised projects as compared to the control group projects may be explained partly due to the relatively fewer number of years of implementation thus far of the directly supervised projects. In this regard, many of the projects in the DSPP have devoted greater emphasis, at least in the initial years, towards developing grassroots organisations and promoting participatory processes and less on productive activities. Therefore, the prospects for sustainability of the directly supervised projects is likely to ameliorate overtime, once they are able to build on the social capital established as a means to improving incomes and livelihoods.

96. Finally, the overall composite rating of the six impact domains is compared against the rating available in the PSR on 'meeting development objectives'. The results can be seen in Table 8.

Table 8. Comparison of impact (MFE against PSR)

Groups	PSR index: ‘Reaching development objectives’	MFE composite impact index
Directly supervised projects	3.1	2.9
CI-supervised projects	3.0	2.5

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

Source: (i) PSR; and (ii) based on the data collected by and analysis of the evaluation

97. There appears to be a steady trend which demonstrates that directly supervised projects have better development effectiveness than those supervised by CIs. One explanation for these findings could simply be that the selection criteria for directly supervised projects were predisposed towards projects with better potential for development effectiveness. However, the evaluation feels that this is unlikely to be the case, because both the pilot and control projects are extremely varied in their specific objectives, implementation arrangements and components. In fact, due to the innovative nature of some of the projects selected, there may even be a bias towards more challenging projects in the DSPP. Thus, following the results in the preceding paragraphs, there is basis for concluding that direct supervision has contributed to higher levels of development effectiveness.

98. While greater development effectiveness may be achieved through direct supervision, the time allocated to the process must be taken into consideration. More than half the CPMs involved in DSPP said they spend up to double the time on direct supervision than on other projects in the portfolio. There are also issues of cost, which will be discussed in Chapter V.

99. There are some general considerations the evaluation would like to underscore in the interpretation of the results contained in sections D-G of this chapter. Firstly, the data demonstrates clearly an overall difference in favour of the directly supervised projects as compared to the CI-supervised projects in the control group. However, it must be acknowledged that the differences in ratings are mostly small, especially in Tables 4 and 5. Still, the analysis in this chapter shows that the directly supervised projects performed better as compared to the CI-supervised ones according to most, if not all, indicators considered in this evaluation.

100. Additionally, the attention of the reader is particularly draw to the enhanced results of direct supervision in furthering IFAD’s broader objectives, such as policy dialogue, partnership building and knowledge management. This is consistent with the findings in the Annual Report on the Results and Impact of Operations Evaluated in 2003⁴⁶, which states that “CIs have consistently performed better on fiduciary aspects, whereas implementation support lagged behind, particularly for IFAD’s specific requirements (and strategic imperative)”. The evaluation also notes that the results of direct supervision could have been even better had the pilot programme been implementation under more favourable conditions, for example, if the CPMs workload had been reprioritised or if adequate monitoring and assessments systems were put in place (see section J in this chapter for more on the operating environment of the DSPP).

H. Direct Supervision Guidelines and Quality Assurance

101. The Agreement Establishing IFAD defines the scope and arrangements for the Fund’s project supervision. The requirement to entrust loan administration to competent international institutions have defined IFAD’s organisational structure, which basically involves relying on other institutions to perform supervision activities. This approach is substantially different from the basic arrangements for supervision adopted by the major IFIs, which will be treated in Chapter VI. In this section, an analysis is made of the current supervision guidelines and arrangement for quality assurance.

⁴⁶ EB 2004/82.R.6

102. **Minimum Supervision Requirements.** In 1997/8 the Fund developed MSRs for CIs undertaking project supervision. The MSRs are important also for direct supervision as they set standards for the Fund's overall supervision activities. The evaluation believes that the MSR initially provided a good benchmark for direct supervision and CI supervision, but no longer reflect the evolving concerns and priorities of IFAD that supervision processes should address systematically. For example, the MSRs do not give any indication whether and to what extent supervision should cover issues such as knowledge management, policy dialogue and partnership building. Moreover, the MSRs are not specific enough. For example, they need to specify in more detail how CIs (or IFAD in the case of direct supervision) are to assist the borrowers in the preparation of project completion reports and so on. These findings are consistent with those of the ESM (see recommendation 2, page 46 in the ESM report).

103. **Direct supervision guidelines.** These were prepared by an in-house Direct Supervision Task Force in May 1999, providing description of the key issues and activities to manage direct supervision. There was a commitment to update the guidelines during the DSPP based on the lessons learned from the ground.

104. Whilst the guidelines are quite useful, a significant proportion are devoted to fiduciary dimensions of supervision, an aspect which was formally sub-contracted to UNOPS even though some CPMs were closely involved in fiduciary aspects as well. There was little orientation or training for CPMs involved in the DSPP based on the guidelines, which would have been especially useful for new CPMs who became responsible for direct supervision later during project implementation. Interesting, most directly supervised projects are unaware of the guidelines, which includes for instance a section on the preparation of progress reports by the projects themselves. Although UNOPS is aware of the guidelines, they were never formally transmitted to them. Finally, the status of the guidelines within IFAD was not clarified. That is, while it was evident that they were to serve as a reference tool for direct supervision, it would be have useful to clarify the extent to which adherence to the guidelines was mandatory, and who had the authority to allow for deviations from the good practices advocated by the guidelines.

105. One issue in relation to the guidelines is particularly important. It is unclear in the guidelines how the monitoring of Annual Work Plans and Budgets (AWPBs) was to be treated. The guidelines do not include this as an activity for UNOPS but do call for the AWPBs to be reviewed and approved by IFAD. In practice, the AWPB process was a key area of interface between the CPM and the project during the DSPP and different CPMs had different levels of involvement in the process. In the DSPP, around half the projects felt that the AWPB processes were adequate. That is, some projects noted that in instances CPMs tended towards micro-management in AWPB decision-making, whereas other projects felt that the guidelines did not provide adequate instructions for preparing and managing the AWPBs.

106. **Quality assurance.** IFAD lacks a real-time or continuous quality assurance system for direct supervision, which would have allowed the Fund to more fully meet the objectives of the pilot programme. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. While having the flexibility to fix and steer projects on the right course, CPMs' decisions should comply with formalities and adequate records that could bring long-term stability to solutions reached. There was limited quality assurance in direct supervision inputs (e.g., mission terms of reference, its composition and duration in the field) and deliverables such as supervision reports. This is also a conclusion contained in the Annual Report on the Results and Impact of Operations Evaluated in 2003, which "highlighted the need to improve IFAD's quality assurance of supervision".

107. Other IFIs, in particular the African Development Bank and the World Bank, have quality assurance mechanisms that allow for periodic assessments (e.g., once every two years) of supervision activities. Through these quality assurance mechanisms, the IFIs are able to take a holistic overview of the supervision function and suggest corresponding systemic improvements across the organisation.

Such quality assurance mechanisms in the aforementioned IFIs are located outside the operations departments. The Inter-American Development Bank is in the process of setting up a similar quality assurance system. This is something worth considering in IFAD.

108. The CPMs have an overwhelming responsibility of carrying out project supervision, exercise supervision on the work done by the CI, report supervision performance inside IFAD including the assignment of ratings to projects they supervise, in addition to all the other responsibilities regarding programming and processing of new operations. In sum, given the heavy and diverse type of activities CPMs are involved in, both real-time and periodic quality assurance systems are fundamental if direct supervision activities are to be expanded and generate useful results.

109. An example related to quality assurance and controls is the approach adopted by IFAD to define the instances in which the borrower and the project authorities should present a request to modify or adjust the loan agreement. The Government authorities and the project managers distinguish IFAD as the only IFI that has a fast response to the issues arising during project implementation. This is a remarkable characteristic that should be protected. However, in some cases, it was observed that during supervision missions key decisions about project design and operations were taken, without having clear parameters to define the level of authority required to adopt a decision. Also, in various cases there is no evidence that IFAD's Office of the General Counsel has been consulted or has issued an opinion regarding the possible modification or adjustment to loan contract covenants. Without intending to over-regulate an area that has to be flexible, it is important to provide PMD staff with points of reference that will ensure that the original objectives of the loan as approved by the Executive Board are not modified without the internal reviews at the appropriate levels.

110. The evaluation noted that in terms of quality assurance (and knowledge sharing), the direct supervision guidelines included a provision to ensure that "all projects under direct supervision would be regularly reviewed by PMD to ensure they are implemented with economy and efficiency". In particular, two actions were proposed. That is, to undertake: (a) regional direct supervision reviews. These meetings were to be held on a quarterly basis by each regional division to discuss progress and efficacy of direct supervision. Minutes from these meetings were to be circulated within PMD; and (b) management direct supervision review. These meetings were to be held twice a year and focus on processes, costs and results. Participants would include regional division directors, and others, and the meetings would be chaired by the Assistant President of PMD. The meetings would also serve to discuss problems arising from implementing the DSPP and to decide on any corrective measures to be taken. Minutes from these meetings were also to be circulated. The evaluation found no evidence that these reviews, dedicated to direct supervision, either at the regional or departmental level, were undertaken.

I. Reporting to the Executive Board

111. The reporting requirements of the Fund towards the Board are summarised in paragraph 38-40. The management has not complied with some of the key commitments in terms of reporting. First and foremost is the fact that no MTR of the pilot programme was undertaken, as per the requirement of the Plan of Action. Such a review would have provided an opportunity to take a broader look at the implementation progress of the direct supervision activities, and to introduce corrections as and where required.

112. Secondly, as mentioned previously, the GC decided that the progress, lessons learned and results of the test would be reported annually to the Executive Board. To some extent, the Fund has complied with this provision, although in the opinion of the evaluation a far more comprehensive reporting should have been undertaken. More specifically, in the framework of the annual Portfolio Performance Report (previously called the Progress Report on the Project Portfolio), the management has provided a total of eight reports (between 1998-2005) with an overview (on average around two pages long) of the implementation status of the DSPP. In fact, it is interesting to note that in the initial years the reporting was more elaborate, which tended to become steadily shorter over time (one could argue that

the trend should have been the opposite, as there would have been more to report upon as the DSPP became more mature).

113. The annual reporting was more in the form of a progress report and did not follow a consistent format from year to year. More importantly, the reports focussed mainly on inputs and processes with little comprehensive analysis and attention to results and lessons learned on the DSPP, although in two of the reports (2000 and 2001) there was a separate section capturing some of lessons learned in the DSPP. None of the reports have any information or analysis on the costs of the DSPP, and they mostly do not provide systematically information on the 11 indicators for measuring the impact of direct supervision presented by the management to the Board in its April 1999 session.

114. The progress reporting in general can be considered to have been more descriptive rather than a management tool. The evaluation believes that this is an important shortcoming in the implementation of the DSPP, as a more complete and detailed periodic reporting could have assisted in highlighting areas where mid-course corrective measures were necessary to enhance the overall effectiveness of the DSPP. In fact, the evaluation feels that the lack of proper self-evaluation and reporting is a missed opportunity for the Fund and its Governing Bodies, who could have taken better advantage of the wider learning from the DSPP experience.

115. The IEE stated that “supervision reporting of performance has not been an active topic for analysis and Executive Board discussion”⁴⁷. In fact, the evaluation notes that the Executive Board should have requested for enhanced reporting covering DSPP progress issues, costs, lessons learned and results. Given that the GC, Executive Board and Evaluation Committee devoted time at various sessions in the 1990s in discussing issues related to supervision in general including direct supervision, the Board should have exercised more thorough oversight in the implementation of the Action Plan and demanded more information from the management on the development effectiveness of the DSPP.

J. Operating Environment for Direct Supervision

116. The CPMs did not benefit from a favourable operating environment to manage their increasing workload caused by the introduction of direct supervision. There are numerous aspects in the implementation of the DSPP that lends support to this affirmation.

117. More specifically, apart from one training in January 1999 on international competitive bidding, no comprehensive training was provided to the 15 CPMs at the outset of the pilot programme. Neither were any skills development opportunities provided during the implementation of the DSPP to respond to emerging issues or lack of staff knowledge in key supervision areas or processes. Moreover, no training was provided to CPMs who took over direct supervision responsibilities during the course of project implementation from other CPMs. Neither did such CPMs generally benefit from any comprehensive and consolidated documentation of the experiences and issues the previous CPMs faced in direct supervision activities. This is considered as a critical shortcoming, given that the DSPP represented, for the first time, an intensive engagement of CPMs in hand-on supervision activities.

118. CPMs were not given any particular recognition, incentives or additional resources for their involvement in the DSPP. In fact, direct supervision represented an additional responsibility for CPMs, which they undertook without their managers’ support for any re-prioritisation of their existing workload. In this regard, it should be noted that the CPM’s profile evolved significantly following the approval of the pilot programme in February 1997, which further enhanced the work load of CPMs responsible for direct supervision. For example, in addition to their usual tasks, all CPMs were called upon to get more deeply involved activities such as policy dialogue and partnership building.

⁴⁷ Paragraph 5.30, Annex 4, final IEE report



The Republic of Uganda
District Development
Support Programme.
Old bridge and new
outside Fort Portal in
Kabarole.
IFAD photo by Roger
Norman, IFAD consultant

119. Furthermore, management engagement appeared to gradually diminish after the approval of the DSPP by the GC in 1997. There are several examples to substantiate this remark. Most illustrative of this is that management did not follow-up on some commitments made to the Executive Board in relation to the DSPP. For instance, no dedicated monitoring system was set up to evaluate and to learn from the pilot projects, a task that was to be done in the first two quarters of 1998. Neither was an integrated and analytic accounting system established for the DSPP, which was to be put in place during the last quarter of 1997 and first quarter of 1998. A MTR of the DSPP should have been undertaken during the last quarter of 2000 and the first quarter of 2001 and accordingly submitted to the Executive Board. The MTR was not carried out. Moreover, as mentioned in the previous section on quality assurance, at the regional division level and PMD level, the due time and emphasis to direct supervision was not allocated in spite of the intentions to do so at the outset of the DSPP. There are various other examples in this evaluation which point in the same direction.

120. The lack of implementation of the monitoring and accounting systems as well as not having undertaken the MTR are three areas which, in the opinion of the evaluation, acted as major constraints for the CPMs and the DSPP in general. The setting-up and maintenance of these systems and the MTR would have given the CPMs and the management up to date information and analysis on the progress of activities, thereby allowing for a continuous learning and knowledge management process. Moreover, these systems would have brought up issues that may have needed to be redressed during the implementation of the DSPP, either at the individual project level or in the pilot programme as a whole. Finally, this would also have allowed the Fund to review and upgrade its supervision instruments and improve supervision by CIs in general.

121. To conclude, as mentioned in the section on Reporting to the Executive Board and in other places of the report, the evaluation feels that the Executive Board should also have exercised a more systematic oversight on the implementation of the DSPP. This would have contributed to ensuring the full implementation of all the provisions in the Plan of Action, which in their totality were intended to ensure a successful implementation of the pilot programme.

IV. LEARNING AND KNOWLEDGE MANAGEMENT

A. Knowledge Management as a Core Objective

122. The DSPP had the following four objectives in terms of learning and knowledge management: (a) IFAD as an institution would increase its knowledge and learning through the direct supervision mechanism and incorporate lessons learned from ongoing operations more effectively into project design; (b) IFAD would gain knowledge of the supervision function, of what are the costs of an adequate supervision; (c) IFAD would acquire deeper knowledge of the developmental impact and human dimensions of the projects in its portfolio; and (d) as a result, IFAD would be able to provide feedback to CIs to improve their supervision activities, in particular in relation to human aspects in supervision. In this regard, “accumulation of first-hand knowledge and identification of cross-cutting issues to positively influence portfolio and strategy in a given country” was one of the 11 IFAD indicators to measure the impact of direct supervision.

B. IFAD Impact Indicators

123. Firstly, the evaluation found no evidence of these indicators being fine-tuned based on the experiences from the field, as the management had committed to doing when submitting the indicators for the Board’s consideration at its session in April 1999 (see paragraph 38). In fact, the evaluation believes that generally the indicators were not suitable to allow for an adequate assessment of the DSPP against the programme’s intended objectives. This is mainly because most indicators were project and process-oriented, and did not respond to the prime objectives of the DSPP (see paragraphs 8-9) in a comprehensive manner.

124. Neither was any data collected systematically on the directly supervised projects based on the IFAD impact indicators. It is to be noted that the Fund did not “establish a monitoring system to evaluate test projects”, which was one of the requirements in the Plan of Action. Furthermore, as committed (see paragraph 38) IFAD did not identify and monitor a control group of CI-supervised projects, which made the comparisons between the DSPP and CI-supervision more complicated.

C. Knowledge Acquired by Country Programme Managers

125. Notwithstanding the aforementioned, by participating in direct supervision activities, CPMs have acquired first-hand experience of the task of supervision and a better appreciation of the issues related to rural poverty reduction. Benefits from their experience are evident as some CPMs responsible for direct supervision have put their acquired knowledge to use in designing projects and implementing ongoing ones. For example, the Indonesia East Kalimantan Local Communities Empowerment Programme builds on the experiences of PIDRA (which is directly supervised in the context of the DSPP) in involving NGOs closely in programme design and implementation⁴⁸. There are similar examples in the other DSPP countries.

126. Still, supervision reports and related documents prepared for the directly supervised projects have largely focused on implementation aspects and less on lessons learned from supervision processes or broad rural development issues. While this is true also for supervision reports prepared by CIs, this situation has led to missed opportunities to incorporate learning in an institutionalised manner to project design across the Fund and to improve the supervision activities of co-operating institutions in the broader sense, which were two of the concerns of the pilot programme.

127. There is one issue related to the potential for CPMs to gain knowledge in the context of projects supervised by CIs. It is known that CPMs sometimes take part in CI supervision missions for a limited duration, and on top of that, occasionally provide complementary implementation support to the same

⁴⁸ As reported in the paper dated 19 May 2005 prepared by IFAD’s Asia and Pacific Division on their “Lessons from Direct Supervision”.

projects outside the CI supervision context. Some may therefore argue that the CI supervision modality (with necessary enhancements) could lead to the CPMs gaining the same level of knowledge about supervision processes and rural development issues as compared to those CPMs involved in direct supervision.

128. On this matter, the evaluation feels that while there is a potential for knowledge acquisition for CPMs when supervision is done by CIs, the depth of knowledge acquired is not the same for a number of reasons. Firstly, in CI supervision, the processes are managed by the CI and not the CPM. Consequently, the CPM is not likely to develop a thorough understanding of supervision processes, which was one of the objectives of the DSPP. Moreover, it is the CI which analyses various documentation and determines the draft terms of reference of the mission and prepares the supervision reports. This too allows the CI and not the CPM to gain deeper insights into project implementation matters and related development issues. However, it may be further argued that CPMs could intensify their involvement in CI supervision, in terms of continuity and time allocation, with the aim of improving their knowledge. While this is a scenario that could be considered, according to the evaluation, it is likely to cause significant increases in the CPMs workload and resources, including potential for duplication of efforts with the CIs without any assurance of proportionately increased benefits. Moreover, under such a scenario, with the CPM mobilising practically the same level of effort in CI supervision as s/he would for direct supervision, the rationale for CI supervision model would be hard to sustain.

129. In spite of the benefits noted by the evaluation to individual CPMs involved in direct supervision, there is a need to institutionalise this knowledge and establish systems/platforms where CPMs involved in direct supervision could share their overall experiences amongst themselves and within the Fund. Some exchanges among CPMs have occurred at an informal level and in an unstructured manner. But, overall, institutional support to capture and channel learning from direct supervision to IFAD staff has been inadequate. For example, despite initial plans to cross-fertilise lessons learned via the task force on direct supervision including all CPMs involved in the DSPP and other staff, the task force was disbanded after it completed the production of the direct supervision guidelines in early 1999. The CPMs responsible for direct supervision have since worked largely in isolation⁴⁹.



The Republic of Sudan
North Kordofan Rural Development Project.
A good crop of millet in Sudan's North
Kordofan.
IFAD photo by Dorothy Lucks, IFAD consultant

⁴⁹ It is noteworthy however that in 2004 IFAD established a CPM forum for all CPMs with the aim of discussing a range of strategy, programme and operational issues, as well as a means to exchanging knowledge. However, direct supervision has not received much attention in the CPM forum so far. In spite of the latter, the CPM forum is a good initiative, which would serve to improve knowledge sharing.

130. Moreover, as committed to the Board in September 1997, IFAD did not develop a dedicated monitoring and performance-assessment system that would allow the Fund to capture the results of the DSPP and to identify lessons learned. This system would have allowed for a comparison of IFAD's performance with that of its co-operating institutions and transfer the knowledge gained through the DSPP to enhance the work of CIs. Although some data on costs are recorded in the Controllers Office, no analytical and integrated accounting system was established to track the actual costs of direct supervision, thus limiting the Fund's opportunities to gain a thorough knowledge of the costs associated with direct supervision activities. Lastly, as mentioned in paragraph 110 on quality assurance, the management review platforms for the DSPP, which had potential for knowledge sharing were not implemented either.

131. No specific actions were taken by the directly-supervised projects to enhance knowledge management. For instance, no additional resources were allocated, neither were specific activities conducted in the directly supervised projects to improve knowledge management. Moreover, the routine project-level monitoring and evaluation systems were not adequately fine-tuned to include the IFAD impact indicators. Hence, little data was collected to ease impact assessments using a consistent set of indicators across all the pilot projects.

132. IFAD also lacks an adequate reporting and feedback mechanism at the country programme level, which hampers the sharing of knowledge generated by the supervision process, irrespective of whether it is performed directly by IFAD or under the CI's responsibility⁵⁰. This is potentially a serious concern in light of the emphasis in the new operating model for IFAD to become a learning organization, where the objectives at the country programme level (such as policy dialogue, partnership building, upscaling and replication of innovations) are of fundamental importance. IFAD's current system for learning and knowledge sharing does not allow for other IFAD-funded projects in the same country, governments and other development organisations to become familiar with its successful innovative approaches and to learn from its experiences. In this regard, one of the main constraints according to this evaluation is the poor performance of project level monitoring and evaluation systems. Both the IEE and a number of OE country programme evaluations in recent years have come up with similar findings. In sum, the issues are that: (a) knowledge management will not happen on its own at the project level, and activities need to be planned and resources need to be allocated in particular to make monitoring and evaluation systems more effective; and (b) the establishment of a knowledge chain from the project, to country programme and IFAD level will need to be pursued proactively, which will be particularly important in the context of the proposed new IFAD operating model.

133. Moreover, although the overall results of directly supervised projects are better than for CI-supervised projects, there is no electronic repository of information, documentation or lessons learned on direct supervision, which can be accessible by all CPMs and concerned staff. The same is true for projects supervised by CIs. Other IFIs are more advanced in this area. For example, the African Development Bank uses the SAP software to share updated summaries of supervision reports, which are made accessible both internally in the Bank but also to external partners through the Bank's internet web site. The Asian Development Bank also makes available updated project status summaries on line to all stakeholders. At IFAD, the documentation repository in the Information Resources Centre related to supervision missions in general is still managed through hard copies, and records are not fully updated nor do they include all the reports produced.

134. In sum, the lack of systemised learning for the institution as a whole underscores probably the major weakness of the DSPP, be it in terms of knowledge about supervision processes or rural poverty

⁵⁰ "In the case of Indonesia, significant learning at country level was reported as a result of direct supervision. The enhanced skills gained by the project co-ordinator are now appreciated by external partners and the Government, to the point that he has become a reference point for all IFAD project managers and for the Government in terms of knowledge in poverty eradication and in IFAD's country programme" – Lessons from Direct Supervision, Asia and Pacific Division, 19 May 2005.

alleviation issues. The evaluation does however recognise that knowledge management is a broader institution-wide concern and needs to be addressed in a more holistic manner. However, given the importance of the DSPP as a one off initiative at the time, dedicated efforts should have been made to allow the institution as a whole to learn from the pilot programme's implementation.

D. The Role of Country Programme Managers

135. The DSPP has raised several key questions about the learning process within the organisation, which are linked with the role of the CPM. In the last decade or so, IFAD Project Controllers have been transformed into Country Portfolio Managers and more recently into Country Programme Managers. This change in nomenclature is a reflection of the evolving nature of the CPM's profile and increased responsibilities, with greater attention to issues such as policy dialogue, co-ordination activities at the country level, implementation support, partnership development, and knowledge management.

136. In the initial period of the DSPP, the institution clearly recognised that some CPMs would need to allocate time for direct supervision activities. In fact, the evaluation reviewed the job descriptions of project controllers/CPMs since 1997. It was noted that only for a couple of years after the approval of the DSPP was there an explicit reference to the need for CPMs to be involved in direct supervision activities, which gradually no longer appeared in their job descriptions/vacancy announcements. This reflects the diminishing emphasis to the DSPP, but more importantly, highlights that the work load implications of direct supervision were not given due consideration in the CPMs job profile.

137. In continuation to the aforementioned, one of the main issues affecting CPMs was indeed their increased work load caused by direct supervision. In spite of this, the CPMs have generally been resourceful and have found ways to discharge direct supervision tasks in an orderly manner, but time limitations have been a barrier to CPMs documenting and sharing the knowledge generated through the DSPP. If systematic processes had been put in place to capture learning from the DSPP and sharing it with others, the additional workload would not have represented such an overwhelming constraint for the CPMs and their contribution to institution-wide knowledge sharing would have been greater.

138. Another issue mainly emerging from consultation with partners at the country level, especially with governments, is the level of experience and qualification of CPMs entrusted with direct supervision. In some instances, governments conveyed to the evaluation team that they would have appreciated the allocation of CPMs with greater seniority and experience for direct supervision. The evaluation feels this is important to instil a sense of confidence within the governments and other development partners. Moreover, it would minimise the risks that the Fund could be exposed through direct supervision and at the same time protect the professionalism of the CPMs entrusted with direct supervision. Although this may be a wider issue, it is even more important in the context of direct supervision given that CPMs may need to take implementation and policy decisions on the ground, and follow-up on important procurement matters.

139. Another factor that limited wider learning and knowledge sharing from the DSPP is that to a large extent each direct project supervision activity was implemented in a compartmentalized manner. That is, after the approval of the DSPP, each CPM was entrusted with direct supervision of one project in one country, and arrangements either at the divisional, departmental or institutional level were not set-up to cross-fertilise experiences or share the knowledge acquired. The individual pilot projects were operated as distinct components of a larger programme (i.e., the DSPP), without adequate consideration of how they complemented each other in achieving the broader objectives of the pilot programme, including those related to knowledge management.

140. In some pilot projects the CPMs did not always participate in the direct supervision missions, relying mainly on consultants sometimes as mission leaders or mission members. While the consultants performed the required tasks, such an approach did not assist in furthering the knowledge

generation and learning objectives of the DSPP. That is, not all information and data collected by the consultants could be documented in the various supervision reports and the knowledge acquired by the consultants did not find its way into the IFAD learning loop. For example, it could have been useful to organise periodical workshops with the consultants who were involved in direct supervision missions to hear their views and learn from their experiences. In fact, the IEE concluded that the Fund's "extensive use of consultants limits its learning ability".

141. While participating on direct supervision missions, part of the time of CPMs was allocated to other tasks beyond direct supervision activity. This could vary from mission to mission, but CPMs generally tended to take the opportunity to follow-up on implementation issues affecting other projects and other portfolio matters. While this is inevitable, it is nevertheless one of the reasons that make it more difficult to determine the actual time spent by CPMs on direct supervision and to calculate the corresponding costs.

142. Finally, as mentioned in the previous paragraphs, the success of the DSPP entailed an increase in the workload of the concerned CPMs. This effectively reduced the time available for CPMs to work on other matters. However, there is no record of negative effects of the direct supervision on other important tasks that CPMs were to perform, and it can be deduced that CPMs involved in direct supervision needed to work harder to compensate for the additional workload of the DSPP.

V. EFFICIENCY OF DIRECT SUPERVISION

A. Introduction

143. In order to gain an understanding of the actual costs for direct supervision, the Five Year Plan of Action (See Appendix II), contained a provision that an: “analytical accounting system [to] be established to track the actual cost of direct supervision as well as supervision by CIs”.

144. However, it is very difficult to determine precisely what costs are associated with direct supervision activities for a variety of reasons. Firstly, the commitment to establish a separate, integrated cost monitoring and recording system has not been fulfilled. Secondly, the lack of timesheets make it challenging to establish how much staff time was devoted to direct supervision, not only by CPMs but also by programme assistants and other concerned IFAD staff. Lastly, different funding sources apart from the Programme Development Financing Facility (e.g., supplementary funds, grant resources) have been used to finance or augment direct supervision activities, which, in the absence of an integrated and analytical accounting system, further exacerbates the problem of determining the actual costs of direct supervision. Even so, based on the information available and within these constraints, the evaluation has attempted to quantify the costs incurred.

145. One point that needs to be highlighted is that when discussing costs of direct supervision, it is not the absolute costs of direct supervision in relation to supervision by CIs that should be used to measure the usefulness of direct supervision. Instead, the evaluation feels that the costs incurred should be assessed in relation to the benefits that direct supervision can bring in achieving better developmental results on the ground and learning for the organisation.

B. Approach

146. The efficiency analysis of the DSPP builds on the detailed cost analysis previously undertaken in the ESM and the IFAD Internal Audit Report on project supervision of May 2004. Moreover, additional data were extracted from the IFAD accounting system (Peoplesoft), and supplemented by estimates of inputs from CPMs and other IFAD staff involved in supervision processes. In fact, the direct supervision costs have been developed based on figures covering four years between 2001 and 2004 (as compared to two years, 2001-2, in the ESM and internal audit report). Various IFAD Programme of Work and Budget documents were also reviewed. On this basis, supervision costs were established for the 15 directly supervised projects and the 15 projects supervised by CIs included in the evaluation’s control group.

C. Costs

147. For the directly supervised projects, based on the agreement between IFAD and UNOPS of July 1998, IFAD pays UNOPS a fixed amount of around USD 12 000 per year per project for undertaking loan administration and procurement review and verification services relating to the concerned projects and programmes. The exact amount to be paid is outlined in the individual letters of appointment that IFAD has issued to UNOPS for each directly supervised project. The fixed payment of USD 12 000 includes costs for the participation of UNOPS staff in the project’s start up workshops and the supervision missions organised by IFAD.

148. In addition, UNOPS fee covering fiduciary aspects for direct supervision includes the following costs for IFAD: (i) staff travel costs for participating in direct supervision missions; (ii) costs for the recruitment of consultants to take part in supervision missions; (iii) technical assistance implementation support to supervision⁵¹; and (iv) costs for IFAD staff time in the overall management and implementation of direct supervision activities, which includes organising and follow-up on

⁵¹ Including periodic support missions on technical issues (such as gender mainstreaming, or monitoring and evaluation) that assist project authorities to improve implementation.

supervision missions. In the absence of time sheets, costs related to item (iv) were estimated largely based on interviews with relevant staff. Due attention has been given in calculating the costs to the grades of CPMs assigned to projects which are directly supervised and those in the control group.

149. In relation to supervision by CIs, the costs include: (i) fee paid directly to the CI; (ii) IFAD staff costs to oversee, support and implement supervision by CIs and IFAD; and (iii) technical assistance implementation support to supervision.

150. One other cost dimension needs to be highlighted. That is, supervision missions or related follow-up activities have drawn upon resources available within some of the Technical Assistance Grant Projects funded by IFAD (e.g., PREVAL⁵² in Latin America was asked to fund a consultant to strengthen M&E activities in a project in Brazil). Such costs, which are attributable to supervision and implementation support activities, have not been included, as both the directly supervised projects and the CI-supervised projects make use of this type of funding opportunity.

151. Table 9 illustrates the comparative costs for the directly supervised projects and the 15 CI-supervised projects in the control group. Based on the calculations of the evaluation, the average cost per year per project of direct supervision is around USD 93 000 as compared with USD 61 000 for CI-supervised projects in the control group. In this regard, it should be noted that the costs incurred go beyond the expectation of the Governing Council, which had decided that in implementing direct supervision activities “there would be no cost increase” to IFAD.

Table 9: Average supervision costs per project per year⁵³ (USD)

	2001	2002	2003 ⁵⁴	2004	Average
Directly supervised projects	91 551	96 268	82 658	104 434	93 300
Control Group	62 296	66 808	58 097	61 916	61 461

152. Table 10 shows a further breakdown of the supervision costs by different components.

Table 10: Average supervision costs per project by cost component (USD)

	CI fees (A)	Implementation support (B)	Total supervision costs (A+)	Staff costs (C)	Grand total (A+B+C)
Direct Supervision	12 278	40 656	52 934	40 366	93 300
Control Group	35 139	14 084	49 223	12 238	61 461

153. For comparative purposes and based on the figures included in the ESM report, Table 11 provides a summary of the costs of supervision by CI. It should however be noted that the analysis only includes costs for 2001 and 2002, which may not entirely reflect the current costs given the sharp increase in supervision costs of some IFIs (e.g., World Bank). Moreover, according to the evaluation, the current costs provided to UNOPS may need to be increased if the Fund is to expect UNOPS to provide enhanced quality services. This refers to both when UNOPS is a CI in all respects, and also under the current arrangement where UNOPS discharge responsibilities related to fiduciary aspects, as in the DSPP. In fact, based on rough calculations, UNOPS revealed that their actual costs in the

⁵² Programme to Strengthen M&E systems in IFAD-funded projects in Latin America and the Caribbean Region.

⁵³ Figures for 2001 and 2002 are from OA cost analysis for the project supervision audit, whereas figures for 2003 and 2004 are provided by the accounting section in IFAD Controllers Officer.

⁵⁴ Costs in 2003 are somewhat lower due to reduced implementation support costs. This may be explained by the fact that a new accounting system was introduced in 2003, which perhaps did not capture all costs related to implementation support during the transition phase.

framework of the DSPP is around USD 23 000 (nearly double the USD 12 000 provided by IFAD). The IEE also picked up on this issue and stated that “IFAD pays less than e.g. the World Bank and United Nations Office for Project Services (UNOPS) regard as the full costs”.

Table 11: Average supervision costs per project per year by cost component and by CI (USD)
(costs are based on 2001 and 2002 figures only)

Cooperation institutions	CI fees (A)	Implementation support (B)	Total supervision costs (A+C)	Staff costs (C)	Grand total (A+B+C)
World Bank	51 056	11 344	62 400	11 854	74 254
UNOPS	43 121	13 090	56 211	12 471	68 682
AfDB	35 967	7 274	43 241	12 691	55 932
AsDB	10 000	2 817	12 817	11 673	24 490

154. There are some points related to the average CI cost that merit being highlighted. First, there is quite a variation in costs across the different CIs. Hence, the average cost for CI supervision calculated above does not reflect the costs that all CIs charge. For instance, supervision through some CIs (e.g. the World Bank) costs over USD 100 000.⁵⁵ The current overall cost of supervision through UNOPS (the CI with the greatest number of projects under supervision) is around USD 79 000 (see table 12). Moreover, according to the evaluation, the current cost attributed to UNOPS needs to be increased if the Fund is to expect them to provide enhanced quality services.⁵⁶

Table 12: Supervision cost comparison with the same CIs

Supervision Modality/Cooperating Institutions	CI Fees (A)	Implementation Support (B)	Total Supervision Costs (A+B)	Staff Costs (C)	TOTAL (A+B+C)
<i>Actual supervision costs per project per year, 2001-2004</i>					
Direct supervision	12 278	40 656	52 934	40 366	93 300
Control group	35 139	14 084	49 223	12 238	61 461
<i>Supervision costs per project per year as included in the IFAD administrative budget document for 2004 and 2005</i>					
World Bank	80 000	11 344	91 344	11 854	103 198
UNOPS	53 531	13 090	66 621	12 471	79 092
AfDB	53 333	7 274	60 607	12 691	73 298
AsDB	10 000	2 817	12 817	11 673	24 490

155. Next, there are additional costs of CI supervision that are difficult to identify and have thus not been included in calculating the total cost of CI supervision. For instance, the Belgian Survival Fund has an annual allocation for CI supervision in its administrative budget, recorded outside IFAD’s accounting system. Along similar lines, more recently, IFAD’s Asia and the Pacific Division provided additional funds to the UNOPS Asia Office to augment its supervision-related activities. These and other such costs are not included in the average of USD 61 000 calculated for CI supervision. Finally, it should also be noted that the cost to IFAD for direct supervision includes the fielding of around two

⁵⁵ A study by the World Bank’s Quality Assurance Group in 2003 concluded that, on average, from USD 100 000 to USD 125 000 should be allocated per year for supervision of community-driven development projects.

⁵⁶ The IEE report highlighted the same issue – see paragraph 18 on page 16 (document EB 2005/84/R.2).

supervision missions per year to each project for longer durations than those of the average CI supervision activities.

156. Furthermore, the evaluation underlines that the longer implementation period of projects in the control group as compared with the directly-supervised projects has administrative cost implications for IFAD, which need to be considered as they raise the overall costs of supervision by CIs.

157. The evaluation also argues that there are possibilities of reducing the costs of direct supervision to some extent. For instance, this could be achieved by making use of competent national entities to discharge the fiduciary responsibilities involved in supervision and thus enhancing the role of government in implementation support activities. Greater use of local consultants could also contribute to cost savings. Finally, as CPMs and the other IFAD staff involved acquire the necessary competencies and gain more experience in direct supervision, it is fair to assume that the overall time invested in the associated tasks is likely to reduce to some extent. This will have a corresponding effect on the staff costs component, leading to a reduction in the overall costs of direct supervision.

158. The results of the cost calculations for direct supervision and the costs of supervision of the 15 control projects are largely similar to the estimates contained in the ESM report⁵⁷. The average cost of direct supervision (USD 93 300), which includes four years of costs (2001-2004) analysis, is comparable to the average reported by the ESM (USD 89 873) based only on figures for 2001 and 2002. Likewise, the average total cost of supervision by CI (using the 15 control group projects) is USD 61 461. The overall average of CI supervision, as reported in the ESM, taking all the ongoing projects in 2001 (198) and 2002 (204) was USD 58 517.

159. While the cost of direct supervision may still be higher than that of CI supervision, according to the evaluation it is paramount to assess the cost together with the corresponding benefits to the Fund. The analysis of the evaluation as documented in Chapter III, illustrates that direct supervision has contributed to better development effectiveness and has allowed the Fund to further its catalytic objectives of innovation, policy dialogue and partnership development.

160. With regard to the latter point, partners at the country level expressed their preference for building partnerships directly with IFAD rather than managing such processes through proxy institutions such as CIs. Moreover, in the context of knowledge management, although the CPMs involved in direct supervision have acquired better understanding of implementation matters and despite the fact that knowledge from the DSPP has not been properly institutionalized, the evaluation observes that using a CI for supervision introduces an extra layer into the already feeble learning loop of the Fund. On a similar note, the knowledge that the staff or consultants of CIs have acquired by undertaking supervision on behalf of IFAD is largely lost to the Fund. Finally, the common opinion of governments and all other partners at the country level, who clearly favour IFAD's direct involvement in supervision activities, must also be given due consideration.

161. Interviews with IFAD staff revealed that costs of direct supervision are higher than CI costs also due to the fact that the participation of CPMs (or an experienced IFAD consultant) more often leads to the identification of issues of specific interest to IFAD. The CIs lack the capability or incentives to highlight or address issues such as policy dialogue or partnership building. Moreover, the CPM's participation may enhance the focus of the supervision mission on other issues like gender mainstreaming, monitoring and evaluation activities or poverty targeting, which contribute to improving prospects for project sustainability. Consequently, the CPM may recommend specific follow-up actions in these areas which often may also have cost implications⁵⁸.

⁵⁷ See table 19 in ESM report on page 29.

⁵⁸ In the directly supervised project in Bangladesh, the CPM "mobilized significant supplementary funds to further enhance the supervision function. This enabled implementation support on M&E and gender issues". However, "currently in Bangladesh CIs are receiving additional funds for specific agreed implementation

162. Finally, the evaluation believes that the costs of direct supervision could have been lower had the provisions and decisions of the GC been fully implemented. For instance, the absence of an integrated accounting system did not allow CPMs to easily keep track of the expenditures incurred to identify ways and means to rationalise further expenditures. The lack of training to CPMs, the non-implementation of monitoring and assessment mechanisms, and knowledge sharing platforms would have all, in one way or another, contributed to streamlining the costs and achieving even better development results.

support tasks on two problem projects” - Lesson from Direct Supervision, Asia and Pacific Division, 19 May 2005.

VI. SUPERVISION SYSTEMS AND EXPERIENCES OF OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

A. Introduction

163. One of the objectives of the evaluation as contained in the approach paper was to gain an overview of the supervision systems and lessons learned in other IFIs. For this purpose, the evaluation reviewed various documentation available from four IFIs, namely the Asian Development Bank, the African Development Bank, and the Inter-American Development Bank, and World Bank, who all directly supervise the projects they fund. Moreover visits were undertaken by OE to the headquarters of the African Development Bank, Inter-American Development Bank and World Bank to hold discussions with concerned staff, and to hear their first hand experiences. A video conference discussion was held from IFAD with the Asian Development Bank in Manila, as a visit there could not be organised during the necessary timeframes. Discussions were also undertaken with staff in the IFIs country offices during the field work of the evaluation mission.

164. By and large, the four IFIs have similar supervision systems, with processes and details applied differently to fit in their own institutional structures. Supervision for the IFIs encompass four distinct functions: (i) supervising the procurement, disbursement and end use of the funds; (ii) monitoring compliance with loan/grant contracts; (iii) facilitating implementation by helping Borrowers interpret and respond to the lender's requirements; and (iv) providing substantive implementation assistance to borrowers.

165. Generally, in the IFIs supervision is not limited to official missions and formal reports, rather it is a continuing and flexible process, specific to the needs of particular operation and intended to foster a close partnership among an IFI, its borrower, and implementing agencies. The planning of supervision is done carefully during the design phase of the project cycle, when appropriate resources and arrangements are put in place to facilitate supervision. Supervision process normally starts after the project is approved and ends when the last disbursement is completed and the project completion report is prepared.

166. The common supervision instruments of the IFIs are listed in Table 13. Some IFIs may not apply all the instruments to its supervision process or may not follow the stated frequency in practice. The instruments could be named differently from one IFI to another, but they have very similar functions and purposes.



The Republic of Armenia
North-west Agricultural Services Project.
Successful Agricultural Production in Sudan.
IFAD photo by Dorothy Lucks, IFAD
Consultant

Table 13: Common Supervision Instruments of IFIs

Main supervision Tools	Purpose	Frequency
Missions to project		
Start-up mission (MS)	To discuss/familiarise Project Management Unit's (PMU) ⁵⁹ staff and the involved government officials with the project operational aspects, expected outcomes, supervision parameters and activities, and ensure the necessary capacities of PMU.	1 time
Supervision missions (SM)/ Technical inspection visits/Annual review missions	To review the quantitative and qualitative progress of a project and to assist PMU and Government in improving project implementation. In most cases, the IFIs use their local staff/consultants to have more frequent technical visits or meetings at the IFI offices in the country.	Semi-annual or annual
Back-stopping missions	To address unresolved issues and problems that require special attention or provide specifically needed technical assistance	When need arises
Mid Term Review Mission (MTR)	To recommend remedial action, from procedural change through redesign to reformulation.	1 time
Monitoring instrument from the headquarters (external to project)		
Annual Portfolio Review	To assess progress in achieving results and impact, identify implementation issues, define appropriate solutions and assess overall implementation performance of single project.	Annual
Project Status Reports (PSR)	To provide a concise summary of key project information, assessments of various aspects of project performance and risks, including the overall rating of the project. In case of problem projects the reporting could be quarterly.	Semi-annual or annual
Audit/Financial Reports	To provide audit of the financial administration of each loan.	Annual
Final evaluation	Done for a selection of operations	1 time
Monitoring instruments from the PMU itself (internal to project)		
Progress reports	Prepared by PMU. Its purpose is to review the execution since the last report and provide accumulated data.	Semi-annual
Annual Work Programme & Budget	This document should have the plan for the fiscal year based on an evaluation of the activities in the previous year.	Annual
Audit report	In most cases there are government agencies that perform the review of internal auditing	Annual
Completion report	This is the responsibility of the borrower. It captures project achievements and lessons learned.	1 time

⁵⁹ Or it can be called Project Coordination/Support Unit.

B. Supervision Systems and Processes

167. In most IFIs, the concerned task managers (TMs)⁶⁰ in the operation divisions are responsible for project supervision. Normally, the TM would have been responsible for both project design and supervision of the same operation. Depending on the type of project being supervised and the skill mix requirements, the TMs would identify other TMs within the department with suitable technical expertise and ask him/her to join the supervision mission (in the Asian Development Bank, supervision missions are called 'review missions'). In the Asian Development Bank, each mission includes the TM and a project analyst. As and if required, external consultants may also be recruited as part of the supervision mission. On average, a supervision mission would comprise of 2-3 persons. Each TM supervises around 3-5 projects per year.

168. The supervision is usually started by the preparation of an issues paper by the TM. The paper captures the key issues that the supervision should address, and is subject to an internal review process within the department, after which the mission terms of reference is developed. On average, supervision missions are fielded for a total of 10-15 days. However, in the case of the African Development Bank only, the same mission is often required to supervise more than one (could be 2-3) projects, thereby reducing the number of days for supervision per project. On average, 1.5 supervision missions are organised per project in a year, but problem projects will be supervised more frequently (around twice a year).

169. As key outputs, it is mandatory for the TM to prepare an Aide Memoire⁶¹ signed in the field which includes an action plan of recommendations. Upon return to headquarters staff are required to prepare a back to office report and supervision report⁶². All outputs are reviewed by the concerned supervisor (operation division managers) of the TM and circulated within the department for peer review and knowledge sharing. A management letter is also sent to the government and others concerned outlining the main concerns and follow-up actions that need to be taken.

170. The TMs are accountable for all supervision matters including fiduciary aspects, procurement and disbursements. They have received thorough and continuous training on new supervision tools, including procurement from the responsible divisions and can rely on the support of the disbursement section for processing withdrawal applications.

171. Except for the World Bank, the TMs in the IFIs feel that their supervision focuses more on implementation issues, fiduciary aspects and problem-solving and less on lessons learned. More recently, there is greater emphasis in using the supervision process as a contributor to results-based management, and hence supervision reports have to provide clear and quantifiable information on outputs and outcomes. The TMs feel that their personal participation in supervision allows them to follow-up on policy issues with governments and other partners, and offers an opportunity to gain knowledge and identify ideas for pipeline development.

172. As at IFAD, apart from the World Bank, the IFIs have also generally struggled to have a comprehensive overview of the costs for supervision. Based on a review (2003) by the Quality Assurance Group of the World Bank, the Quality Assurance Group concluded that on average each project received USD 79 000 per year, whereas USD 90 000 were allocated to problem and more risky projects. However, the same review recommended that on average between USD 100 000 and 125 000 should be allocated annually for the supervision of community-driven development projects, which in many respects are similar to the type of operations funded by IFAD.

⁶⁰ Called Task Team Leaders in the World Bank

⁶¹ This is called Memorandum of Understanding at the Asian Development Bank, which is their most comprehensive supervision deliverable.

⁶² In the Asian Development Bank, TMs are not required to prepare a supervision report, as the Memorandum of Understanding are considered voluminous enough.

173. Another dimension that the IFIs have in common is the role of their country offices in supervision activities. Supervision is largely delegated to the country offices at the Inter-American Development Bank, with participation of staff from headquarters as required. At the Asian Development Bank and World Bank, the headquarters and country offices share the responsibilities for supervision. That is, in some cases supervision responsibilities are entirely delegated to the country offices, especially in those countries where their offices have staff with the required sector know-how. Under such arrangements, selected staff from headquarters are sometimes asked to join supervision missions. In other cases, the TMs based at the headquarters retain responsibilities for supervision, who in turn involve staff from their country offices in the supervision missions. So far, the TMs based in the headquarters of African Development Bank have full responsibility for project supervision. However, with the establishment of 26 country offices by the end of 2006, the African Development Bank expects the staff in the countries to be involved in one way or another in project supervision and related follow-up as well as portfolio management issues.

174. One important aspect related to supervision at the IFIs is that certain supervision functions are being increasingly located in their country offices. For example, the review of documents related to fiduciary aspects (such as bidding proposals and accounting matters) are largely handled by the country offices. It is however important to realise that the degree to which such field office staff can take decisions varies according to delegation provided by the responsible TMs.

175. The IFIs have advanced electronic systems for storing and sharing supervision summaries and reports and related information such as project status reports. Such information and documentation is made accessible, at least in the cases of the African and Asian Development Banks, to outside partners through the internet. The electronic systems of some IFIs are also able to send automatically warning signals to the TM's supervisor if some of the supervision data do not meet the supervision requirements and performance standards.

176. The World Bank established in 1996 an organisational unit (Quality Assurance Group, QAG), which periodically studies the Bank's supervision system as a whole and provides recommendations to enhance the overall quality of supervision (see Table 14 on QAG). The African Development Bank has a similar division, namely the Operations Quality Review Division located in the Operations Policies and Review Department responsible for promoting portfolio quality assurance. They are also initiating assessments of the quality of the supervision activities, which they plan to do once every two years as an instrument to test African Development Bank's ability to ensure effective supervision and provide recommendations to enhance the overall supervision system. In 2005, the Inter-American Development Bank is also launching such efforts, whereas at the Asian Development Bank supervision quality is reviewed by the project administration units within the respective operations divisions and discussed in meetings with the higher management to keep them involved in supervision and implementation matters.

Table 14: Quality Assurance Group at the Work Bank

The World Bank has expanded the provision of real-time feedback through the implementation of Quality Assurance activities. The Quality Assurance Group (QAG), established in 1996, assesses the quality at entry of selected operations, identifies high risk projects and monitors them for possible restructuring, closing or upgrading, and review the Bank's performance in decision making in selected lending and non-lending operations.

The main activities of QAG include:

- **Assessing quality of operational products.**
 - For new lending – Quality at Entry Assessment
 - For supervision and ongoing operations – Quality of Supervision Assessment
 - For analytical and advisory services – Quality of Economic and Sector Work Assessment.
- **Portfolio monitoring:** QAG monitors the quality of Bank's lending portfolio (about 1500 ongoing projects) and periodically reports on various aspects of its performance to the Board, senior management and staff. It also coordinates the implementation of a system that flags projects that are at risk of not achieving their development objectives or are facing implementation hurdles.
- **Training:** QAG works closely with WB Institute to enhance learning through customised training to staff, based on the lessons from quality assessments.
- **Quality enhancement:** QAG provides assistance to the Regions to undertake Quality Enhancement Review, upon their request.

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: (a) The degree to which project performance is assessed realistically and reported candidly, with particular emphasis on achieving objectives; (b) Whether emerging problems are being addressed promptly and proactively, incorporating global best practices adapted to country circumstances; (c) Whether adjustments are made to project design to suit changing circumstances; (d) To what extent the project adheres to Bank Safeguard Policies and fiduciary standards; and 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.

Source: World Bank website

C. IFIs as IFAD'S Co-operating Institutions

177. During the discussions with the staff in the four IFIs, the following were some of the issues and concerns raised as far as their co-operation with IFAD is concerned on supervision issues:

- The IFIs welcome the participation of IFAD CPMs or representatives in supervision/review missions organised by them for co-financed projects or projects for which they serve as IFAD's CI. They find such participation as a useful opportunity for exchanging experiences and generally furthering the dialogue between the institutions;
- They feel however that IFAD needs to lay out more precisely its expectations from the IFI as CI. Moreover, IFAD should systematically involve the IFIs in project design if there are plans to entrust them with project supervision. Moreover, in order to enhance flow of information and to exchange views on supervision issues, the need to have more regular meetings between IFAD and the IFIs was highlighted;
- Three issues were highlighted that often create difficulty in the co-operation with IFAD on supervision: (a) it is much more difficult to pin down the timing of the supervision mission when an IFAD representative plans to participate, as the schedules of IFI staff (i.e., various TMs) and the IFAD representative needs to be closely co-ordinated; (b) the supervision roles and responsibilities of the TM and the CPM are not always clear, sometimes leading to inconsistent guidance to project staff; and (c) the latter is even more of a challenge in the

exclusively IFAD-funded projects that the IFI is required to supervise. That is, project staff have been known to approach the CPM directly to seek clearances or decisions on loan administration and supervision issues, for which the IFI as CI should be responsible;

- An issue of major concern expressed by some IFIs relates to the appointment by IFAD in some projects of a different CI other than the co-financing IFI. This has led to the same project receiving separate supervision missions (by IFAD's CI and the IFI itself) during the year, thereby increasing the transaction costs on the partners at the country level and creating complications in project implementation (e.g., the same project management unit is consequently required to prepare two annual work plans and budgets, follow different procedures for submitting withdrawal applications, etc.). Moreover, in some such projects separate start-up missions were organised by IFAD and the IFI, which also added to the complications as the same audiences were exposed to briefing and training on different systems and procedures; and
- One general issue has emerged during the evaluation relating to the IFAD-UNOPS co-operation in the framework of the DDSP, which could however also be applicable to the wider relationship between the two organisations. The issue is whether UNOPS is merely a service provider to IFAD in the context of supervision or whether it is a development partner in all respects. Although this is beyond the scope of this evaluation, it may be worthwhile to clarify and develop a common understanding on this matter and communicate the same to the CIs and our partners at the country level, who are often unsure about the role and responsibilities of the two organisations in overall project implementation and related supervision processes.

D. Good Practices

178. Following are some good supervision practices following a review of the experiences of supervision in the IFIs:

- The overall objectives, approach and requirements of supervision are already defined in the country strategies. This includes, *inter-alia*, definition of the broader issues supervision would cover at the country level, the role of national institutions in supervision, and an indication of the human and financial resource required;
- Appropriate supervision plans should be prepared during project preparation and agreed upon before the appraisal is completed. Supervision planning must include the design of appropriate M&E systems, which should be integrated within the institutions progress reporting requirements to increase cost-effectiveness of supervision and to strengthen the institutional capabilities of borrowers;
- Annual supervision strategies are agreed between TMs and division managers. The strategies should set clear priorities and define expected results and the needed skill-mix and budgets. The strategy should be shared with project authorities and government officials to receive their inputs;
- Supervision tasks are distributed between country offices and headquarters to capitalise on the comparative advantage of each other;
- Supervision should be more intensive during the first two years of project life⁶³. Accordingly supervision budget for this period should be increased;

⁶³ C. Kilby 2000, from his analysis of WB supervision data found that: 1) WB supervision has a measurable, positive impact on subsequent performance; 2) early supervision is much more effective than later supervision; 3) there appear to be diminishing returns to supervision; 4) supervision is more effective in projects with small loans; and 5) the impact of supervision is relatively homogeneous across regions, sectors, and macroeconomic environments.

- Staff continuity in the supervision of individual projects is a critical element for project success (TMs should remain with specific projects for at least 3 years, and project appraisal team should be responsible for the first two or three years of supervision);
- The TM identifies problems quickly, reports them candidly, and weights possible solutions always in an eye on development effectiveness and sustainability;
- Emerging problems are addressed proactively incorporating global best practices adapted to the country circumstances;
- Project design is modified, where necessary, to reflect the changing circumstances and lessons of experience in close consultation with the borrower and key stakeholders;
- Managers provide timely guidance and support to staff, especially for new or less experienced staff and during TM transitions;
- The supervision should aim explicitly at strengthening the internal supervision capacity of the borrower. This approach reduces the need for implementation support from the IFI.

VII. CONCLUSIONS

A. General Comment

179. There is a consistent trend in the overall analysis of the evaluation which demonstrates that, as compared to CI supervision, direct supervision has greater potential to contribute to better development effectiveness at the project level, and at the same time, allows for more attention on IFAD's broader objectives at the country programme level.

180. That is, direct supervision by IFAD can contribute to better and more timely project implementation, which in turn enhances overall results and impact. Moreover, through direct supervision IFAD has been able to pay special emphasis to issues of prime concern such as gender mainstreaming, targeting and the building of grassroots institutions, which taken together are important elements in ensuring sustainability.

181. In view of their more frequent and longer presence in countries with direct supervision, CPMs have wider opportunities to advance IFAD's objectives at the country programme level including policy dialogue and partnership development. CIs do not consider these to be a priority, nor can such activities be effectively advanced through third parties. Although there is no conclusive evidence of new partnerships resulting from the DSPP, governments and other development partners at the country level have unanimously expressed their deep appreciation for the more frequent contacts with CPMs, which has been facilitated by IFAD direct supervision activities. The same partners conveyed that they find it more useful to deal directly with IFAD staff rather than with CI representatives. In this regard for example, partners affirmed that the response rate and follow-up on implementation issues are faster under direct supervision than CI supervision.

182. Direct supervision has contributed to developing IFAD's knowledge-base. In this regard, in particular, the CPMs responsible for direct supervision have acquired knowledge of supervision processes, project implementation and the rural development issues in the concerned countries. This knowledge has enabled them to better design and implement new operations. However, the knowledge gained at the CPM level has not been systematically shared with others nor has it been institutionalised. The evaluation notes that supervision by CIs also offers possibilities for knowledge generation. However, the CIs involvement in supervision makes the transmission line of knowledge from the CI to IFAD and the country more cumbersome in the already feeble knowledge systems of the Fund.

183. The evaluation concludes that direct supervision allows the CPM to strengthen country level co-ordination both within the context of IFAD operations and with the development community at large. It also facilitates the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities, which are mostly available at country level, given that the majority of IFAD international and bi-lateral partners have delegated an increasing amount of authority to their country representatives.

184. In conclusion, the evaluation also feels that the Fund's performance in the DSPP would have been even more significant had all the requirements of the Plan of Action been fulfilled and if IFAD had a clear Policy relating to Supervision and Implementation Support.

B. Relevance of the DSPP (III, 44-46)⁶⁴

185. The evaluation notes that the DSPP as designed was highly relevant in pursuing IFAD's overall development objectives at the time. The specific objectives of the DSPP and its corresponding

⁶⁴ The paragraph reference for each subheading directs the reader back to the relevant point in the main text where the main analysis and findings for this topic were presented.

activities were appropriately designed. However, one area in which the DSPP should have been more explicit and coherent is the emphasis on direct supervision's contribution in achieving project results and impact. The evaluation's analysis and results illustrate that direct supervision is indeed an important tool that should be available at the disposal of IFAD management to improve overall results and impact. In today's context, the evaluation feels that the relevance of the direct supervision concept remains high in the framework of IFAD's evolving operating model. The relevance of direct supervision is also supported by the IEE's conclusions⁶⁵.

C. The Role of Direct Supervision in Enhancing Project Implementation Performance and Development Effectiveness (III, 73-100)

186. Based on a comparison of self evaluation data contained in the PSRs, there is a conclusive indication that the implementation performance of projects supervised directly by IFAD has been better than projects supervised by CIs. However, this could be partly attributable to other factors including the more optimistic ratings of CPMs involved in direct supervision, who themselves are responsible for preparing the PSRs. Moreover, it is recognised that supervision is one essential ingredient for successful implementation and that other factors may also be important contributors, such as the capacity of institutions involved in project implementation. The evaluation (see Table 5) also comes to the conclusion that direct supervision has had a positive impact on implementation. That is, of the 14 indicators included in the PSR rated independently by the evaluation team, the directly supervised projects performed better than CI supervised projects across 11 indicators. Moreover, there are two additional indicators not included in the PSR, namely the: (a) period between Executive Board approval and project effectiveness; and (b) implementation time overrun. In both these cases, the directly supervised projects perform better than CI-supervised projects. These conclusions tally with the IEE's findings which suggests that the current CI-centred "supervision model used in IFAD supported projects may not be the most effective to enhance project performance".

187. As mentioned earlier, there is a consistent trend in the results of the evaluation illustrating that development effectiveness is greater in the directly supervised projects as compared to projects supervised by CIs. Figures 2, 3 and 4 as well as Tables 6, 7 and 8 in Chapter III provide the reader with supporting evidence in this regard. In sum, direct supervision has contributed to better project results and impact, as well as greater attention to IFAD's broader country programme objectives such as policy dialogue and partnership development. Moreover, through direct supervision, the Fund had been able to devote added emphasis to specific development issues, such as gender mainstreaming and beneficiary participation, which are key ingredients in achieving sustainability.

D. Learning and Knowledge Management (IV, 122-134)

188. By participating in direct supervision activities, CPMs have acquired first-hand experience of the task of supervision and a better appreciation of the issues related to rural poverty reduction. Benefits from their experience are evident as some CPMs have put their newly acquired knowledge to use in designing new projects and implementing ongoing ones. Evidence of this is that projects designed in the same country where the CPM is responsible for direct supervision have benefited from the experiences of the directly supervised project. However, there is one important limitation of the knowledge acquired by the CPMs. That is, it has not found its way beyond the CPMs either within or outside his/her division, both due to the silos culture prevailing in the institution and the lack of organised mechanisms for the sharing of knowledge and experiences. Having said that, there is evidence that some exchanges have occurred between CPMs in the DSPP at an informal level and in an unstructured manner.

⁶⁵ The IEE concluded that "there is a real gap in the development focus of CIs."

189. A large part of the learning by the CPMs from direct supervision is in the form of tacit knowledge, which is inherently more difficult to capture and share. Moreover, attention in supervision reports and related documents of directly supervised projects mainly focus on implementation issues and less on developmental impact, lessons learned from supervision processes or broad rural development issues. This however is a concern common to reports prepared both in the context of direct supervision and supervision by CIs.

190. IFAD also lacks an adequate reporting and feedback mechanism at the country level: its current system for learning does not allow for governments and other development organisations to become familiar with its successful innovative approaches and to learn from its experiences. This could potentially be a major bottleneck within the context of the new operating model.

191. In conclusion, while OE recognises that knowledge management is an institution-wide concern which cannot be addressed through direct supervision only, the lack of systemised learning for the institution as a whole underscores probably the major weakness of the DSPP.

E. Quality Assurance (III, 106)

192. Unlike most other IFIs, IFAD lacks a continuous quality assurance system for direct supervision, which would have allowed the Fund to more fully meet the objectives of the pilot programme. Moreover, IFAD does not have a system for the periodic assessment (e.g., once every two years) of supervision activities, which takes a holistic overview of the supervision function and suggests corresponding systemic improvements across the organisation. The World Bank's Quality Assurance Group (see paragraph 176 and Table 14) is an interesting example of an organisational arrangement that aims to, *inter-alia*, periodically assess the quality of supervision.

193. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. While having the flexibility to fix and steer projects on the right course, CPMs' decisions should comply with formalities and adequate records that could bring long-term stability to solutions reached. Moreover, there was limited quality assurance in direct supervision inputs (e.g., mission terms of reference, its composition and planned duration) and deliverables such as supervision reports. Compliance with the MSRs and the direct supervision guidelines was also not monitored. In fact, the evaluation did not find evidence of the guidelines ever being updated based on the experiences and lessons learned from the ground. In conclusion, both continuous and periodic quality assurance systems are fundamental if direct supervision activities are to be expanded.

F. Costs (V, 147)

194. At face value, the average cost of direct supervision (USD 93 300) is higher than the average cost of supervision by CIs (USD 61 461). However, the evaluation argues that costs should not be seen in isolation from the benefits. In fact, in spite of the higher costs, the evaluation indicates that direct supervision brings important benefits to IFAD and its partners at the country level, especially in terms of enhanced development effectiveness. Moreover, in discussions with UNOPS (the main IFAD CI) and reviewing the results of the ESM report, it is clear that the costs paid by IFAD to UNOPS for supervision need to be increased if they are to deliver the type and quality of service IFAD requires in the future. In parallel, the evaluation feels that there is potential for efficiency gains in direct supervision, provided certain systems and procedures are introduced (e.g., quality assurance mechanisms).

G. Operating Environment (III, 116-121)

195. In general, the evaluation concludes that the DSPP was implemented within a context that did not allow for its full potential to be realised. For example, implementing a monitoring and assessment system as well as a separate accounting system would have allowed the management to keep track of the implementation progress of the pilot programme and introduced, as and when required, any mid-course corrective measures. Moreover, the evaluation concludes that the management did not provide sufficient backstopping and support to the CPMs in the DSPP, be it for example in terms of reprioritising their tasks, establishing incentive systems as well as knowledge sharing opportunities or quality assurance systems.

196. Another aspect of the operating environment which was not conducive to the success of the DSPP relates to the CPMs involved in direct supervision. Firstly, no workload assessment of CPMs with direct supervision responsibilities was undertaken. Such an assessment would have given the opportunity to set realistic annual objectives for the concerned CPMs in terms of the overall tasks and outputs expected. Moreover, the lack of systematic and periodic training of CPMs, be it the ones who gained responsibilities at the outset of the DSPP or those who become involved at later stages, was a major weakness of the DSPP. CPMs would have benefited from training, for example, to gain a better understanding of the project's annual work plan and budgeting procedures or in selected technical issues that could come handy for implementation support purposes. Finally, the evaluation shows that constant changes of CPMs in some cases did not facilitate the implementation of the DSPP.

H. The Role of the Executive Board (III, 115)

197. The IFAD governing bodies devoted time in more than 10 sessions since the beginning of the 1990s in reviewing documents and discussing issues concerning supervision, including direct supervision matters. This culminated with the approval by the GC in 1997 of the DSPP together with its five-year Plan of Action. However, there are two issues that deserve to be highlighted about the role of the Board in relation to the DSPP.

198. Firstly, the Board did not discuss and neither asked for greater details on the lessons and evolving costs of the DDSP. The Board did however review eight short progress reports, submitted by the management in the framework of the annual Portfolio Performance Review Report during the Board's April sessions. On the whole, these progress reports focused more on inputs and processes rather than results and lessons learned. Nevertheless, in spite of the aforementioned, the Board did not request for a comprehensive reporting of the pilot programme, which would have allowed for a more thorough discussion of its emerging results, insights and cost implications.

199. Secondly, three crucial activities were not implemented by the management as required by the Plan of Action. These are the: (a) MTR of the DSPP; (b) establishment of an "analytical accounting system to track the actual costs of direct supervision as well as supervision of CIs"; and (c) establishment of a "monitoring system to evaluate test projects". In that sense, the Board on its part did not monitor whether the various elements that had been agreed upon were implemented.

200. Therefore, it is fair to conclude that the Executive Board did not exercise an adequate oversight role to ensure that the IFAD management would fulfil its commitments to the Board in the implementation of the DSPP⁶⁶. The evaluation team believes that the outcomes of the DSPP would

⁶⁶ It must be recognized that the task of the Executive Board in this regard is not facilitated in the absence of appropriate mechanisms that would give the Board a chance to monitor the implementation of the provisions contained in proposals (such as the DSPP) adopted by Directors. Although this could be considered as a wider issue for the Board, for example, IFAD could establish an electronic system (ledger), made fully accessible to all Board members, which would allow easy tracking and monitoring of the implementation status of the decisions

have been even more significant had all the requirements laid down by the Governing Council been implemented. However, as noted by the IEE, the “ability of the Board to provide leadership will depend in part on the quality of information it receives and in part on the ways in which information is used”.

I. Definition of Supervision (III, 21)

201. Based on a review of various documents in the course of this evaluation and discussions with numerous partners, it is clear that not all concerned have the same understanding of the notion of supervision. In fact, there is often a mix-up between what constitutes supervision missions, implementation support, follow-up activities, fiduciary responsibilities and so on. There is also lack of clarity on the roles and responsibilities of IFAD, CIs, project staff and government authorities. This has often led to the duplication of efforts and unnecessary utilisation of resources. Additionally, it is worth noting that many partners at the country level felt the term ‘supervision’ when applied to implementation aspects of projects, rather than to the fiduciary aspects, has a paternalistic undertone. Supervision in that sense reflects a top-down, non-participatory approach to the function, which is inconsistent with the Fund’s objectives of promoting ownership and partnership with governments and other institutions. The situation has been even more unclear in the past few years during which the Fund has experimented with the DSPP in parallel with its traditional approach to supervision through CIs (see paragraphs 33-36). Moreover, with the advent of the FPPP, there is a danger of additional confusion being promoted since staff at the country offices will presumably also have some role in relation to IFAD supervision activities. In sum, the term supervision needs to be revisited in light of its two distinct functions: (a) ensuring appropriate coverage of the fiduciary aspects in relation to IFAD-financed activities; and (b) providing support to the implementation of projects and programmes.

taken by the Board that require a management follow-up. This would be particularly useful, also in view of the relatively high turn over of Board Directors and the need to establish ways and means to institutionalize Board-related activities and decisions.

VIII. RECOMMENDATIONS

A. Introduction

202. Before presenting the recommendations, it is important to state that the evaluation's recommendations have taken into consideration the relevant recommendations contained in the ESM report as well as those included in the IEE report and other similar documents. The below are the evaluation's five key recommendations. The evaluation team recommends that they all be implemented fully to ensure the desired impact is achieved in IFAD's future supervision and implementation support efforts.

B. Recommendation One **Definition of Supervision (VII-200)**⁶⁷

203. The term 'supervision' needs to be urgently clarified. This is an issue also highlighted by government authorities, project staff and other partners in the course of this evaluation and other previous OE evaluations.

204. The evaluation recommends that the concept of 'supervision' as used by IFAD so far be divided into two distinct, yet mutually reinforcing parts, namely:

- (i) **supervision of the fiduciary aspects** related to loan and grant agreements between IFAD and partner governments (or other institutions for grants); and
- (ii) **supporting programme and project implementation**⁶⁸.

205. 'Supervision of the fiduciary aspects' would include, *inter-alia*, supervision of procurement, disbursement and end use of funds, as well as monitoring compliance with loan/grant agreements, including compliance with any specific financial and auditing requirements of the Fund. As a financial institution, the Fund has a fiduciary responsibility to ensure that resources it lends or provides in grant form are utilised for the intended purposes. In this light, the evaluation suggests that the use of the term 'supervision' be only confined to the **supervision of the fiduciary aspects of loan and grant agreements**.

206. The function related to 'supporting programme and project implementation' would include, for example, the organization of periodic 'implementation support' missions and related follow-up; an assessment of the achievement of programme/project objectives and assistance in identifying remedial solutions for implementation challenges, based on interaction and dialogue with project authorities and other partners at the country and project level; and the provision of guidance in preparing the annual work plans and budgets. It would also include oversight of project and programme implementation, for example, in terms of monitoring the achievement of physical targets.

⁶⁷ The paragraph numbers next to each heading reference the reader back to the relevant text in the preceding section on conclusions, and in some instances to the analysis earlier in the evaluation.

⁶⁸ Could also be called 'implementation support'

C. Recommendation Two
Develop a Comprehensive Supervision⁶⁹ and Implementation Support Policy for IFAD
(VII, 181-183)

207. The Fund should develop a specific overall supervision and implementation support policy for its operations. Such a policy would take into consideration the most relevant change initiatives in the recent years at the Fund (such as the FPPP and RIMS) and the latest thinking related to the new evolving operating model. In particular, it will take into account the proposed shift in the unit of account of IFAD activities from the project to the country programme level. The policy should reflect the below evaluation recommendations.

208. Supervision of fiduciary aspects. IFAD should be allowed on a case by case basis, depending on the project or programme circumstances, to decide whether to sub-contract a competent national, regional or international entity to perform such functions. Special efforts should be devoted to engaging national entities, as this would have the double effect of building local institutional capacity and reducing costs. The utmost attention should be given to ensuring that there is no conflict of interest between the prospective national entity and the IFAD operation under consideration. In few and very specific circumstances, IFAD might itself consider to itself undertake the supervision of fiduciary aspects with appropriate training of CPMs, involvement and support from the Controller's Office in terms of procurement and disbursements, backstopping from the Office of the General Counsel and the introduction of the necessary checks and balances (see recommendation four). The learning from this experience will help IFAD to continuously identify systemic issues related to the supervision of fiduciary aspects and provide guidance to improve the corresponding work of sub-contractors.

209. Implementation Support. In this regard, the evaluation recommends that the policy make explicit that:

- (i) IFAD should be made responsible for providing direct implementation support to all its operations globally. In this regard, it is important to specify the role of the CPMs who could either intensively involved themselves as 'implementation backstoppers' or act as implementation-support task managers with more attention to process management, which would also require a degree of direct content and outputs of implementation support activities.
- (ii) Such support would cover all aspects of IFAD country programmes, both at the project level and beyond. With regard to the latter, implementation support would include key aspects related to IFAD's catalytic role such as policy dialogue, partnership building, and knowledge management. Moreover, implementation support would pay particular attention to the human dimensions of IFAD operations including aspects related to gender mainstreaming, participatory processes and empowerment, institution building, and the development and functioning of monitoring and evaluation systems. Grant financed activities under the new grants policy should also be explicitly covered; and
- (iii) The role of partner Governments should be given due emphasis and specified, which would contribute to building greater ownership and local capacities as well as reducing costs. Part of the development impact consists in the creation or improvement of local institutional capacities, so that countries themselves can increasingly provide implementation support to their projects and assist IFAD in discharging its responsibilities in relation to the supervision of fiduciary aspects of a loan or grant agreement. It is anticipated that in some cases governments may need technical assistance to improve their

⁶⁹ The term supervision from now onwards in the document means 'supervision of the fiduciary aspects' related to IFAD financing.

internal capacities⁷⁰, and the Fund may have to earmark resources in the loan for this purpose or mobilize the required financial resources through grant instruments. As mentioned in paragraph 200, it will be important to clarify the complementary role of government authorities in implementation support activities.

210. The above will result in new responsibilities for PMD that will require the allocation of additional staff and financial resources as well as new competencies and skills. It is fundamental that the additional resource requirements for the implementation of the new policy be clearly articulated in a comprehensive and explicit manner by IFAD. This would require a detailed cost analysis, particularly of the elements in paragraphs 207-208, as well as an assessment of the skills and competency of current CPMs. Based on the aforementioned analysis, IFAD would need to develop a proposal to meet the cost deficits in implementing the new policy. It would also need to develop a plan for enhancing the ability of CPMs to meet the specific requirements of the new policy, recognizing that it may not be possible to enhance these skills and competencies in all cases. Until the required level of financial resources are made available to the Fund, additional staff recruited in PMD and their competencies and skills developed and upgraded, IFAD management may consider a phased-approach to expand implementation support in all operations.

211. The success of the new policy would also be determined by the support provided by IFAD management and the conducive environment it creates for the purpose. For example, management would need to: (i) ensure that appropriate opportunities are introduced for periodic staff training; (ii) establish an incentive framework and platforms for the sharing of knowledge acquired by CPMs; and (iii) allocate the necessary time for reviewing implementation experience under the policy. The Board should also play a proactive role in exercising oversight of implementation of the new policy and in approving administrative budgets for the purpose.

212. The policy should be evaluable, and in particular include a roll-out and implementation plan, with performance indicators that can be monitored periodically.

213. A chapter on supervision and implementation support should be included on a standing basis in IFAD's annual Portfolio Performance Report. The chapter would provide an analytical account of the opportunities and challenges in the area, and identify key lessons learned. In addition, it would provide an indication of the ongoing operational measures introduced by IFAD to address emerging issues.

214. The undertaking of supervision of fiduciary dimensions and implementation support would require revisiting Article 7, Section 2 (g) of the *Agreement Establishing IFAD*.

215. Other integral aspects that the policy should consider are contained in recommendations three to five.

⁷⁰ This will require the Fund to make an assessment of government capacities already at the COSOP development stage.

D. Recommendation Three
Supervision and implementation support in the framework of the Country Strategic and Opportunities Paper (II, 51)

216. The evaluation team recommends the need to develop an overall approach to supervision and implementation support at the time of preparing the Country Opportunities and Strategic Papers (COSOPs). This would take into account the need to supervise the fiduciary dimensions of all operations, and the provision of implementation support to the country programme, including areas such as policy dialogue, partnership building and knowledge management, in addition to the traditional support provided to projects so far. In response to the overall objectives of the COSOP and focus of the proposed country programme as well as past experiences. The COSOP would lay the provisions for the need to develop an annual supervision and implementation support plan for each country, indicating the specific objectives, human and financial resource allocations and expected results. Each PMD regional divisional would set up an electronic monitoring, assessment and reporting system, which would serve as a management tool to track the implementation progress of the plans and to flag issues requiring more immediate follow-up. A template should be developed by PMD for the section on supervision and implementation support that would be included in the COSOPs.

217. More specifically, supervision of fiduciary dimensions and implementation support should be seen and planned in a holistic manner with the country programme at the centre, rather than determining the requirements in a disjoint manner on a project by project basis. The COSOP should include indications of the human and financial resources required and funding sources to be used for the purpose, including the country specific or regional grants that will be drawn upon for the purpose. Moreover, the role of the country (i.e., in particular national entities and the governments) in both supervision of fiduciary dimensions and implementation support processes should be defined, and any corresponding capacity building measures to strengthen the country's participation should be identified.

E. Recommendation Four
Quality Assurance System (VII, 191-192)

218. Quality assurance in the context of IFAD operations in the wider sense is an important issue, which has been underscored in the IEE report and the corresponding management response. Within the framework of an enhanced quality assurance system at IFAD, there is need to urgently introduce quality assurance mechanisms for the supervision of fiduciary dimensions and implementation support activities. Similar quality assurances mechanisms are well established in other IFIs, and IFAD might like to take stock of their approaches and experiences before developing its own mechanism.

219. The evaluation team recommends that IFAD establish a management review committee within PMD, which would review supervision and implementation support activities, results and related operational issues. The committee would identify issues affecting supervision and implementation support quality, and take appropriate actions and allocate due resources to redress any areas needing improvement. Quality assurance, as well, needs to be strengthened in the PMD's regional divisions. Semi-annual reviews of supervision and implementation support activities should be undertaken at the divisional level. Summaries of the discussions at these meetings should be circulated to all PMD divisions.

220. IFAD should build on the experience of other IFIs (in particular of the Quality Assurance Group in the World Bank) and establish an IFAD specific quality assurance outfit, which would review aspects of supervision and implementation support, in addition to any other aspects related to the implementation of the COSOP and its components. The Fund would need to thoroughly reflect upon the most appropriate location within IFAD's organizational structure for such a group, which would ensure the most objective and independent review possible of its supervision and implementation support efforts. The introduction of such a quality assurance group should take into consideration the mandates and performance of existing quality control systems within IFAD, such as the project

development team, Technical Review Committee and Operational Strategy and Policy Guidance Committee.

F. Recommendation Five
Learning and Knowledge Management (VII, 187-190)

221. Incentives should be provided to staff to encourage sharing of the knowledge they acquire. For example, time needs to be carved out in CPMs' workload for sharing the knowledge they generate through supervision and implementation support activities. The documenting and sharing of knowledge should be included as an indicator in assessing the annual performance of CPMs. Specific instruments need to be established to facilitate learning and knowledge-sharing. In particular, time should be reserved on a standing basis in the CPM forum for discussing issues and sharing knowledge generated through supervision and implementation support activities. Each project mid-term review and project completion report should include a specific treatment of supervision and implementation support issues, as should all evaluations undertaken by OE. The project and country status reports should be reformatted to include a narrative section on supervision and implementation support, and ratings must be included in all cases. Other instruments should be introduced, such as peer reviews at the PMD divisional level in relation to implementation support activities.

222. The monitoring and evaluation systems at the project level need significant strengthening, if they are to contribute effectively to learning. In fact, the data and analysis generated through the monitoring and evaluation systems are fundamental building blocks for the entire supervision-cum-implementation support and knowledge management processes, and hence deserve special and urgent attention by IFAD. The weak functioning of such systems have been a long standing problem, which has been recognised by numerous OE evaluations and more recently by the IEE. It is further recommended for PMD (in collaboration with Controller's Office) to develop an analytical and integrated accounting system, including staff time sheets, to track all costs related to supervision and implementation support. Implementation support by IFAD itself can be used as a tool to improve monitoring and evaluation systems. That is, the Fund will be in a position to devote more attention to this particular aspect of its operations, for instance, by ensuring that a monitoring and evaluation specialist is systematically included in the implementation support missions. Moreover, enhanced attention can be given to monitoring and evaluation during the internal quality assurance reviews.

223. The project level monitoring and evaluation systems must be integrated to the extent possible with the government's own systems. This would ensure better harmonisation, reduce the duplication of efforts and ensure that there is a continuum of information and knowledge flows from the project level to the country programme and vice versa. Such integration will not only contribute to developing the knowledge links from the project to the country to the IFAD level, but also facilitate monitoring and sharing of experiences across the entire project/programme portfolio, and allow for tracking the implementation of the broader objectives of IFAD country programmes, such as policy dialogue and partnership building.

224. Build on the experiences of other IFIs and finally IFAD should make more comprehensive use of information technology for knowledge management purposes in relation to supervision and implementation support, as this could contribute to better storage and access of documents and other outputs. In this respect, the evaluation recommends that supervision and implementation support reports or at least constantly updated summaries of the same be made available internally by electronic means to all staff and to external partners through the internet. In this regard, it is recommended to expand the PPMS so that it can carry updated summaries of supervision and implementation support activities at all time. The PPMS should then be made accessible to external partners (government authorities, project authorities and others) through the IFAD internet with immediate effect. Moreover, the PPMS should be upgraded so that it relays warning signals for those projects which, according to the latest summaries, deserve special management attention and follow-up.

Projects Included in the Direct Supervision Pilot Programme

Country	Project Name	Board Approval	Loan Signing	Loan Effectiveness	Project Completion Date	IFAD Financing (USD million)	Disbursement Rate (%)	Project Status
Armenia ^{bcd}	North-west agricultural services project	Dec-97	Dec-97	Apr-98	Jul-01	12.96	99.99	Closed
Bangladesh ^a	Agricultural diversification and intensification project	Apr-97	May-97	Dec-97	Jun-04	18.92	100	Closed
Benin ^a	Microfinance and marketing project	Apr-98	Jul-98	May-99	Dec-05	12.17	86.07	Ongoing
Brazil	Sustainable development project for agrarian reform settlements in the semi-arid north-east	Dec-98	Oct-00	Dec-00	Dec-06	25.00	25.71	Ongoing
Dominican Republic	South western region small farmers project – Phase II	Dec-98	Jan-99	Apr-00	Jun-06	12.00	69.01	Ongoing
Gambia ^b	Rural finance and community initiatives project	Dec-98	Feb-99	Jul-99	Jun-06	9.24	72.57	Ongoing
Gaza and the West Bank	Participatory natural resource management programme	Apr-98	May-98	Feb-00	Mar-07	7.81	12.24	Ongoing
India ^c	Jharkhand-Chattisgarh tribal development programme	Apr-99	Mar-01	Jun-01	Jun-09	23.00	8.55	Ongoing
Indonesia ^a	Post-crisis programme for participatory integrated development in rainfed areas	May-00	Jun-00	Jan-01	Mar-09	23.52	40.91	Ongoing
Mali	Sahelian areas development fund programme	Dec-98	Feb-99	Oct-99	Mar-09	21.95	37.61	Ongoing
Peru ^{cd}	Development of the Puno-Cusco Corridor project	Dec-97	Dec-99	Oct-00	Dec-06	18.92	43.64	Ongoing
Sudan	North Kordofan rural development project	Apr-99	Jul-99	Jun-00	Jul-08	10.49	73.75	Ongoing
Uganda ^b	District development support programme	Sep-98	Feb-00	May-00	Jun-06	12.59	88.91	Ongoing
Zambia	Smallholder enterprise and marketing programme	Dec-99	Feb-00	Nov-00	Dec-07	15.94	49.33	Ongoing
Zimbabwe	Smallholder irrigation support programme	Dec-98	Feb-99	Sep-99	Dec-07	12.12	10.33	Ongoing

Source: Project and Portfolio Management System and the Loans and Grants System, as of 17/05/05

(a) Projects included in OE's country programme evaluations for Bangladesh, Benin and Indonesia.

(b) Projects evaluated by OE through interim/completion evaluations.

(c) Projects included in the desk review by the IEE.

(d) Projects included in the country visits of the IEE

Projects Included in the Evaluation Control Group (i.e. Projects Supervised by Cooperating Institutions)

<i>Country</i>	<i>Project Name</i>	<i>Board Approval</i>	<i>Loan Signing</i>	<i>Loan Effectiveness</i>	<i>Project Completion Date</i>	<i>IFAD Financing (USD million)</i>	<i>Disbursement Rate (%)</i>	<i>Project Status</i>	<i>CI</i>
Argentina	Rural development project for the northeastern provinces	Apr-96	Sep-97	Oct-98	Dec-06	16.52	49.65	Ongoing	CAF
Bangladesh ^{acd}	Aquaculture development project	Apr-98	May-98	Dec-98	Jun-06	19.99	70.86	Ongoing	UNOPS
Gambia	Lowlands agricultural development programme	Apr-95	Dec-96	May-97	Dec-04	5.06	93.19	Closed	AfDB
Guinea ^b	Fouta Djallon local development and agricultural rehabilitation programme	Dec-96	Feb-97	Jan-98	Jun-06	10.01	63.94	Ongoing	UNOPS
India ^b	North eastern region community resource management project for upland areas	Apr-97	May-97	Feb-99	Mar-06	22.90	20.69	Ongoing	UNOPS
Indonesia ^a	Income-generating project for marginal farmers and landless – Phase III	Dec-97	Jan-98	Jul-98	Dec-06	24.90	80.75	Ongoing	AsDB
Jordan	Yarmouk agricultural resources development project	Apr-99	Aug-99	Apr-00	Jun-06	10.14	29.17	Ongoing	AFESD
Madagascar	Second environment programme support project	Apr-97	Dec-97	Mar-98	Dec-02	8.10	100.00	Closed	World Bank
Mali	Zone Lacustre development project – Phase II	Apr-96	Jun-96	Jun-97	Dec-05	12.69	6.93	Ongoing	BOAD
Mozambique	Family sector livestock development programme	Dec-96	Sep-97	Feb-98	Jun-06	19.40	86.43	Ongoing	UNOPS
Peru ^{bcd}	Management of natural resources in the southern highlands project	Sep-95	Jun-96	Apr-97	Dec-04	12.28	100.00	Closed	CAF
Sudan	South Kordofan rural development programme	Sep-00	Sep-00	Feb-01	Mar-11	18.02	48.88	Ongoing	UNOPS
Syria	Badia rangelands development project	Apr-98	Jul-98	Dec-98	Jun-06	20.17	14.53	Ongoing	AFESD
Uganda	Vegetable oil development project	Apr-97	May-98	Jul-98	Sep-09	19.90	21.44	Ongoing	World Bank
Venezuela	Economic development of poor rural communities project	Sep-96	Dec-97	Jun-98	Jun-07	11.99	40.22	Ongoing	CAF

Source: Project and Portfolio Management System and Loan and Grant System, as of 17/05/05

(a) Projects included in OE's country programme evaluations for Bangladesh, Benin and Indonesia.

(b) Projects evaluated by OE through interim/completion evaluations.

BOAD = Banque Ouest Africaine de Développement

AFESD = Arab Fund for Economic and Social Development

CAF = Andean Development Corporation

(c) Projects included in the desk review by the IEE.

(d) Projects included in the country visits of the IEE.

AfDB = African Development Bank

AsDB = Asian Development Bank

WB = World Bank

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

Activity	1996	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 <u>To determine the minimum requirements for supervision of IFAD projects</u>																					
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 <u>Improving present coordination procedures between IFAD and CIs to:</u> <u>(a) eliminate areas of overlap;</u> <u>(b) improve areas for cooperation;</u> <u>and (c) establish a more consistent reporting system</u>																					
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 <u>Improving portfolio management</u>																					
1 <u>Ongoing activities</u>																					
(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 <u>Skills and training requirements assessment for project controllers</u>																					
(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	q4	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3	q4	q1	q2	q3	q4
3 Project and Portfolio Management System (PPMS)																					
(a) Design (October 1995 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.																					

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