



Enabling poor rural people  
to overcome poverty

Independent Office of Evaluation

## IFAD's Direct Supervision and Implementation Support

### EVALUATION SYNTHESIS



July 2012





Enabling poor rural people  
to overcome poverty

**Independent Office of Evaluation**

## **IFAD's Direct Supervision and Implementation Support Evaluation Synthesis**

Cover photo

Rasha Omar, IFAD Country Programme Manager in Sudan, discussing wealth ranking and change in poverty as a result of the interventions of the Western Sudan Resources Management Programme.

©IFAD/Supervision mission, Western Sudan Resources Management Programme (2011).

This report is a product of staff of the Independent Office of Evaluation of IFAD and the findings and conclusions expressed herein do not necessarily reflect the views of its Member States or their representatives to its Executive Board. The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of IFAD concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The designations "developed" and "developing" countries are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.

All rights reserved.

© 2012 by the International Fund for Agricultural Development (IFAD)

## Preface

In the fall of 2010, the Evaluation Committee of IFAD's Executive Board requested the Independent Office of Evaluation (IOE) to prepare a synthesis report on the direct supervision and implementation support of IFAD-financed projects. The objectives were to: (i) provide a short description of the actions taken to implement the IFAD Policy on Supervision and Implementation Support, approved by IFAD's Executive Board in December 2006; (ii) take stock of the findings of previous evaluations, making an initial assessment of the progress made so far in implementing the supervision policy and identifying promising practices and emerging issues; (iii) capture relevant experience gained by other international financial institutions on supervision; and (iv) identify issues for consideration and further exploration in the forthcoming corporate-level evaluation on the supervision policy, planned for 2012.

This synthesis report was initiated by Andrew Brubaker, former IOE Evaluation Officer, and completed by Mattia Prayer Galletti, Senior Evaluation Officer, with contributions from Liesbeth Kellens, former IOE Associate Evaluation Officer; Hans Wyss, lead consultant; and Dorothy Lucks, consultant. Internal peer reviewers from the Independent Office of Evaluation (Luciano Lavizzari, Director; Ashwani Muthoo, Deputy Director and Fabrizio Felloni, Senior Evaluation Officer) provided comments on the draft final report. Lucy Ariano and Miriam Irias, Evaluation Assistants, provided administrative support.

Appreciation is due to IFAD Management and staff for their feedback on the draft of this document during the learning workshop organized on this topic in September 2011.



Luciano Lavizzari  
Director  
Independent Office of Evaluation of IFAD

**Guatemala - Zacapa-Chiquimula Smallholders' Rural Development Project**

**A project technician meeting with farmers to discuss tree cultivation and the use of fertilizers, in San Jacinto. The training of beneficiaries focuses on fostering participatory planning and the building up of efficient organizations.**

*©IFAD/Nancy McGirr*



# Contents

<b>Abbreviations and acronyms</b>	<b>ii</b>
<b>Executive summary</b>	<b>iii</b>
<b>I. Objectives, methodology and process</b>	<b>1</b>
<b>II. IFAD'S Policy on Supervision and Implementation Support</b>	<b>2</b>
<b>III. Actions taken to implement the supervision policy</b>	<b>4</b>
A. Training	4
B. Operational guidelines	5
C. Human and financial resources	5
<b>IV. Initial assessment of progress</b>	<b>6</b>
A. The pace of change from cooperating institution supervision to direct supervision by IFAD	6
B. The two functions: supervision and implementation support	7
C. Processes and instruments, and issues	8
D. Initial achievements at the portfolio level	12
E. Initial achievements at country programme level	15
F. Promising practices and emerging issues	17
G. Costs	18
<b>V. Some lessons on supervision experience from other international financial institutions</b>	<b>19</b>
<b>VI. Conclusions and issues for the corporate-level evaluation</b>	<b>22</b>
A. Conclusions	22
B. Topics to be considered by the forthcoming corporate-level evaluation on the supervision policy	24
<b>Annexes</b>	
1. List of project evaluations and country programme evaluations reviewed	29
2. IFAD direct supervision and implementation support: Background	31
3. Three models for supervising IFAD-financed projects	33
4. List of people interviewed in Rome	27
5. Bibliography	28
6. Lessons on supervision experience from other international financial institutions	35

## **Abbreviations and acronyms**

AfDB	African Development Bank
ARRI	Annual Report on Results and Impact of IFAD Operations
ADB	Asian Development Bank
AUO	Office of Audit and Oversight (IFAD)
CFS	Controller's and Financial Services Division
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CPE	country programme evaluation
CPO	country programme officer
CPM	country programme manager
CPMT	country programme management team
DSIS	direct supervision and implementation support
DSPP	Direct Supervision Pilot Programme
IDB	Inter-American Development Bank
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
OVE	Office of Evaluation and Oversight (IDB)
PMD	Programme Management Department (IFAD)
PSR	project status reports
RIDE	Report on IFAD Development Effectiveness
UNOPS	United Nations Office for Project Services

## Executive summary

1. The findings in this synthesis report are based on the available evidence from independent evaluation and are supported by multiple sources, such as self-evaluations, audits, and interviews with staff from IFAD and other international financial institutions. After four years of implementation of IFAD's Policy on Supervision and Implementation Support, such evidence enables to draw a number of preliminary conclusions to be further investigated in the upcoming corporate-level evaluation (CLE) on the supervision policy.
2. In general, IFAD's decision to move to direct supervision and implementation support was one of the most far-reaching changes since the Fund was established. It has enabled IFAD to get "closer to the ground" in borrowing countries and to understand the country context more fully. It has facilitated more direct follow-up with implementing agencies to resolve bottlenecks that have emerged during implementation, and it has allowed IFAD not only to achieve closer cooperation with other partners but also to establish and nurture partnerships with multiple stakeholders. In other words, direct supervision and implementation support have impacted on IFAD's entire operating model.
3. Overall, IFAD should be commended for implementing such decision. Introducing the supervision policy and its implementation plan was ambitious given the complexity and extent of its impact on the Fund as a whole and on the Programme Management Department (PMD) in particular. It is worth recalling that, initially the enthusiasm for taking on direct supervision was not shared equally across the department and by its divisional directors. The accelerated pace of the move to direct supervision also attests to the seriousness and commitment of a number of country programme managers (CPMs) and their willingness to take on an expanded role in supervising IFAD projects.
4. However, the direct supervision and implementation support of IFAD operations has posed several challenges. The specific preparations needed for implementing this ambitious supervision policy were inadequate, evidenced best by the delayed preparation of a basic IFAD supervision manual and by the insufficient training, especially on implementation support.
5. Implementation has progressed at different rates and with different modalities among the five regional divisions. This ad hoc approach may have been appropriate at the initial stages of moving to direct supervision as it provided IFAD with five "pilots" from which to gain knowledge. However, in the longer term, IFAD should consider drawing on the best practices from the different approaches to increase harmonization, efficiency and shared responsibilities across IFAD departments, and to reduce risk (e.g. adoption of common quality assurance processes). In particular, it is important to define what the parameters for good supervision are and what the different PMD staff should be held accountable for. This last issue is of special concern to CPMs.
6. The positive contribution of direct supervision and implementation support to enhancing IFAD's development effectiveness is most evident at the project level where increased implementation support in addition to direct supervision was provided. However, IFAD's effectiveness is less visible for knowledge management, partnership development and policy dialogue. Knowledge management has been especially weak across the Fund, although at the divisional level some recent progress is apparent.
7. Certainly, the shift from cooperating institution supervision to direct supervision has had huge consequences on the work of CPMs. Although PMD partially addressed this issue by increasing the number of CPMs, the issue has by no means disappeared and the job descriptions for PMD positions are still rather general and with no indication of priorities among the various tasks.

8. Although an outcome not clearly anticipated at the onset, direct supervision and implementation support have set in motion a gradual shift of the centre of gravity of IFAD's work from headquarters to the field. In some cases, this has been translated into the transfer of responsibilities to country offices and their gradual strengthening. Interestingly, PMD is projecting that the large majority of newly recruited staff in the next few years will be in the field.
9. But there is a need to optimize the division of labour in undertaking direct supervision and implementation support, within IFAD and between IFAD headquarters and its country offices. In particular, CPM resources now need to be directed at leveraging the increased knowledge gained through direct supervision and implementation support to build better country programmes, improve project design and engage in policy dialogue and partnership-building rather than spend undue time on controls, especially on ex post controls relating to expenditures and disbursements. Such an approach is likely to have a high pay-off for IFAD.

## I. Objectives, methodology and process

1. **Background.** Based on the recommendations of the Peer Review of IFAD's Office of Evaluation and Evaluation Function by the Evaluation Cooperation Group, the Independent Office of Evaluation of IFAD (IOE) introduced a new evaluation product in 2010: the synthesis report. These reports identify and capture accumulated knowledge on common themes and findings across a variety of evaluations and studies. They are done rather quickly and inexpensively compared with fully fledged project, country or corporate-level evaluations; this has implications for the scope of such an exercise.
2. In the fall of 2010, the Evaluation Committee of IFAD's Executive Board requested IOE to prepare a synthesis report on the direct supervision and implementation support (DSIS) of IFAD-financed projects. This is the first synthesis report presented to the Committee for its review.
3. **Objectives.** The objectives of this synthesis report are to: (i) provide a short description of the actions taken by IFAD in implementing the 2006 IFAD Policy on Supervision and Implementation Support (hereafter the supervision policy); (ii) take stock of the findings of previous evaluations, make an initial assessment of the progress made so far in implementing the supervision policy, and identify promising practices and emerging issues; (iii) capture relevant experience gained by other international financial institutions (IFIs) on supervision; and (iv) identify issues for consideration and further exploration in the forthcoming corporate-level evaluation (CLE) on the supervision policy, planned for 2012.
4. **Methodology.** The methodology used in the report consists of a review and analysis of the findings in an agreed set of documents against the supervision policy. This report based its review on five main sources:
  - (a) **Independent evaluations.** IOE findings on DSIS were contained in five types of documents: (i) project evaluations; (ii) country programme evaluations (CPEs).<sup>1</sup> On the basis of (i) and (ii), relevant findings on supervision experience were collected systematically and pulled together in a matrix, which allows the report to draw on the IOE-evaluated experience with IFAD supervision prior to and after the introduction of the supervision policy; (iii) Annual Reports on Results and Impact of IFAD's operations evaluated in previous years (ARRIs): the review and analysis was limited to the years 2007 to 2010 in order to focus on the initial period after the supervision policy was introduced; (iv) corporate-level evaluations: the review also included CLEs related to supervision and country presence, and the May 2011 IOE comments on the IFAD Country Presence Policy and Strategy<sup>2</sup> to the extent that this policy and strategy directly relates to DSIS; and (v) a small case-study questionnaire to selected country presence officers.
  - (b) **Audit reports.** The Office of Audit and Oversight (AUO) carried out, in 2009/2010, an internal audit on direct supervision, consisting of three parts: (i) procurement; (ii) disbursement; and (iii) supervision and implementation support.
  - (c) **IFAD documents.** The Programme Management Department (PMD) produced a number of documents related to DSIS that are relevant to this report, including: (i) guidelines for implementing the supervision policy; (ii) a sample of project supervision reports, primarily aimed at understanding the new reporting system at the project level, i.e. the building blocks for the

---

<sup>1</sup> The full list of the 38 project evaluations and 17 country programme evaluations reviewed for this synthesis report can be found in annex 3.

<sup>2</sup> Comments of the Office of Evaluation on the IFAD Country Presence Policy and Strategy (EB 2011/102/R.10/Add.1/Rev.1), 2 May 2011.

portfolio reviews, and Reports on IFAD Development Effectiveness (RIDEs) prepared by IFAD Management; (iii) regional portfolio reviews; (iv) all country strategic opportunities programmes (COSOPs) from the period 2008-2010; and (v) the self-assessment report of the IFAD Country Presence Programme.<sup>3</sup> In addition, the RIDEs from 2006 to 2010 were reviewed.

- (d) **Lessons from international financial institutions.** Recent supervision experiences and lessons were sought from other IFIs. This search was limited to documents from the African Development Bank (AfDB), the Asian Development Bank (ADB), the Inter-American Development Bank (IDB) and the World Bank. The documentation was supplemented by interviews with staff from the evaluation and operational units at IDB and the World Bank.
  - (e) Finally, **interviews and discussions** with IOE and relevant IFAD managers and staff were held in Rome in March 2011.<sup>4</sup>
5. In undertaking this synthesis report, IOE recognizes the following limitations of the methodology. First, since IOE's evaluations address the actual experience of IFAD activities, it takes quite a few years to accumulate a significant number of cases for evaluating the implementation of a new policy. This is particularly relevant for such a complex operational innovation affecting almost the entire portfolio of IFAD. Second, the report is based almost entirely on desk reviews and does not rely on any direct fieldwork. Finally, since DSIS is part of the broader IFAD Action Plan for Improving its Development Effectiveness, an assessment of the performance of the different IFAD divisions and units involved in the implementation of DSIS would have been necessary.
6. **Process.** The report was conducted in four stages: (i) a desk review of all relevant documentation; (ii) interviews with managers and relevant staff (see annex 4) in Rome in March 2011; (iii) interviews with relevant World Bank and IDB staff; (iv) preparation of the report; and (v) feedback from IFAD Management and staff during a learning workshop organized in September 2011, as the report will serve as an input into the learning theme of the 2011 ARRI. The present report also provides a list of issues and key questions for consideration by the forthcoming CLE, scheduled for 2012 in accordance with the three-year rolling work programme for IOE, approved by the Executive Board in December 2010.

## II. IFAD'S Policy on Supervision and Implementation Support

7. The supervision policy defines supervision and implementation support as two mutually supportive and operationally linked functions: (i) supervision is the "administration of loans, for the purposes of the disbursement of the proceeds of the loan and the supervision of the implementation of the project or programme concerned". It (a) ensures compliance with loan covenants, procurement, disbursement and the end-use of funds, which corresponds to IFAD's project-related fiduciary responsibility; and (b) is an effective tool for promoting economy, efficiency and good governance; and (ii) Implementation support focuses on achieving the project's development objectives. Where needed, IFAD supports project implementation through specific technical support, policy dialogue and/or adjustments to improve effectiveness, always recognizing that project implementation is the responsibility of recipients.
8. **Background.**<sup>5</sup> Improving the quality of project implementation and achieving better results on the ground has been an increasing priority for IFAD since the early 1990s. IFAD Management initiated a Direct Supervision Pilot Programme (DSPP) in

---

<sup>3</sup> EB 2011/102/R.10/Add.2.

<sup>4</sup> A list with the names of people interviewed can be found in annex 2.

<sup>5</sup> A full presentation of the evolution to Direct Supervision and Implementation Support (DSIS) can be found in annex 4.

1997, which included 15 IFAD-financed projects.<sup>6</sup> In 2004 and 2005, IOE conducted two CLEs, respectively on supervision modalities and on the DSPP, which found that, in general, IFAD direct supervision was contributing to better development effectiveness and allowing greater attention to IFAD's broader objectives at the country programme level. The CLEs recommended the development of a supervision and implementation support policy. Endorsing the conclusions of this evaluation, IFAD made two fundamental decisions: (i) in February 2006, the Governing Council amended the Fund's Articles of Agreement, delegating the decisions on IFAD's supervision to the Executive Board; and (ii) in December 2006, the Executive Board approved the supervision policy. It should also be noted that this policy was viewed as an essential part of the Action Plan for Improving IFAD's Development Effectiveness, since it "articulates an approach for strengthening the relevance, focus, quality and efficiency of country programmes financed by IFAD."

9. The supervision policy is driven by a set of principles: (i) recognition of loan and grant recipients, who are owners and implementers of IFAD-financed projects and programmes, as key partners with shared accountability for outcomes; (ii) adherence to improved management systems (e.g. quality standards and accurate reporting); (iii) DSIS activities set within the context of results-based country programmes; and (iv) encouragement, under DSIS, of innovation and learning and knowledge-sharing. Moreover, recognizing the evaluation findings on the DSPP, the policy confirms that IFAD needs to draw on a wider selection of supervising partners.
10. **Supervision modalities.** The supervision policy outlines two modalities: (i) DSIS undertaken by IFAD, comprising various "blends" of headquarters staff and contracted service providers, including reputable international/regional/national institutions and locals partners; and (ii) supervision by cooperating institutions under better-specified roles, which would be limited to projects in countries with moderate-to-low implementation capacity and medium- to small-sized country programmes, and to projects initiated by another IFI, for which IFAD provides cofinancing. It is important to note that regardless of these two modalities, IFAD will always be responsible for providing implementation support related to IFAD financing.
11. **Implementation timeframe.** The supervision policy states that during the first three years after its adoption (i.e. during 2007 through 2009), IFAD would focus on building the capacity of its staff, enhancing the quality of its own and cooperating institution supervision, and providing implementation support. In this phase, activities would include: (i) staff training in procurement and programming; (ii) strengthening of loan and grant administration, revision of letter(s) of appointment [of cooperating institutions] to reflect IFAD's role in supervision more accurately; and (iii) the introduction of quality assurance mechanisms. The supervision policy also anticipates a strong involvement of country programme managers (CPMs) both in DSIS and where supervision is entrusted to cooperating institutions. This would include the leading of, or participation in, supervision missions. A thorough assessment of performance and lessons learned would be undertaken at end of this period, and, on this basis, a detailed implementation plan for the following three years should be developed. The policy also states that, by the end of the tenth year, most loans and grants would be supervised by IFAD.
12. **Human resources.** The policy anticipates an increased workload with implications on the requirements of staff numbers and their competencies. Emphasis should be placed on the development of appropriate competencies and skills for existing and

---

<sup>6</sup> It should be recorded that under the a Direct Supervision Pilot Programme (DSPP), procurement and disbursement/processing of withdrawal applications were handled by the United Nations Office for Project Services.

newly recruited staff, including field presence staff.<sup>7</sup> Failure to strengthen IFAD's human resources was identified as a policy risk. The investment cost of capacity-building related to DSIS over the first 10 years was estimated at US\$2.9 million, of which US\$1.7 million for incremental staff (to be covered from funds currently paid to cooperating institutions), and US\$1.2 million for training.

13. **Expected costs.** In 2006, the total annual costs of supervision and implementation support was reported at about US\$19.8 million. Some 50 per cent of this amount consisted of the fees paid to cooperating institutions, and the remaining 50 per cent was almost equally divided between the imputed costs of IFAD staff time and the cost of consultants (including travel, etc.). It was expected that the main effect on the IFAD cost structure of implementing the supervision policy would be an increase in staff and in the cost of contracting partners and consultants, which would be compensated by a reduction in the fees paid to cooperating institutions due to decreasing reliance on their services. The supervision policy assumed that by the tenth year, the estimated costs of supervision and implementation support would be about 4 per cent higher than current costs. However, it was also estimated that if the development of national capacities for supervision progressed more slowly than anticipated, the increased costs of supervision would be about 12 per cent higher than 2006 costs. Thus, it was assumed that the full implementation of the supervision policy would entail an increase in annual costs in the range of 4 to 12 per cent (US\$0.8 million to US\$2.4 million) to be managed within the IFAD budget.
14. **Expected benefits.** The benefits anticipated by the supervision policy were not quantified, but estimated in terms of better development effectiveness of operations, and enhanced innovation, policy dialogue, partnership development, impact and knowledge management.

### **III. Actions taken to implement the supervision policy**

#### **A. Training**

15. As anticipated in the supervision policy, the investment on staff training was to be the central element for the start-up of DSIS. In June 2007, a consultant to the Director of the West and Central Africa Division with extensive experience in supervision prepared a pilot supervision training programme for concerned IFAD staff. The Supervision Support Unit established under the PMD front office then took over the full corporate training programme, which was rolled out between September 2007 and October 2008, and followed by a workshop on advanced supervision in December 2008. Another one-day programme was tailored for Management (the president, assistant presidents, and divisional directors). Thus, over less than two years, nearly all PMD managers and staff, together with managers and staff from other parts of IFAD, participated in the training programme on DSIS.
16. The training programme gave major attention to capacity development in areas of loan administration and procurement where IFAD had almost no prior expertise. In addition, a series of procurement training courses were held with experts from the International Labour Organization. In order to create a community of certified procurement specialists at IFAD, as recommended by the internal audit, a two-week training course on procurement was also delivered by Crown Agents. While training efforts in the supervision of fiduciary functions were vigorous, the same cannot be said for training in the implementation support function, especially considering that only the CPMs who had been involved in the DSPP and those recruited from cooperating institutions had prior knowledge of this function.

---

<sup>7</sup> Field presence staff have now been renamed country office staff (President's Bulletin 2008/05), and this report will refer henceforth to the new title.

## B. Operational guidelines

17. In September 2007, PMD issued the **guidelines for supervision and implementation support of projects and programmes funded from IFAD loans and grants** (hereafter: the supervision guidelines). They represent a comprehensive instruction manual, and cover the following subject areas:
- (i) The context of supervision, country programming and the COSOP, starting from the broader context that the supervision policy had provided, emphasizing that preparation for DSIS starts in the COSOP and more immediately in project design;
  - (ii) The supervision cycle, devoting a chapter to the actions required between loan negotiations and start-up;
  - (iii) Loan administration, with details on the fiduciary aspects of disbursements, procurement and audit;
  - (iv) Special issues in supervision, addressing IFAD-specific concerns as defined under various IFAD policies and institutional priorities, e.g. targeting of poor populations, gender, innovation and knowledge management.
18. More detailed Supervision Guidance Notes followed in March 2008, which, among other things, included guidelines on the preparation of aide-memoires and the revised format of the project status reports (PSRs) that provide inputs for the Project Performance Management System.
19. The additional responsibilities under the supervision policy were also captured in two important documents: (i) the revised General Conditions for Agricultural Development Financing, issued in 2009; and (ii) the new Project Procurement Guidelines supplemented by a detailed Procurement Handbook and a Loan Disbursement Handbook for IFAD Directly Supervised Projects, issued in 2010. Finally, in November 2010, PMD and the Finance and Administration Department issued an Information Circular on the new IFAD loan and grant administration model, which defines the roles and responsibilities of functional units and staff involved with loan and grant administration. Some of the steps outlined in this circular are yet to be implemented.

## C. Human and financial resources

20. **Human resources.** Under the supervision policy, CPMs became responsible for planning and executing DSIS, resulting in a significant increase in their workloads. The number of CPMs grew by almost a quarter in 2007 and again slightly in 2011 as illustrated in table. It is interesting to note the different dynamics between regional divisions. In some cases, CPMs were outposted, and by the end of 2010 six of the CPMs were located in IFAD's recipient countries.

Table 1  
Number of country programme managers (2007-2011)

	01/01/2007	01/01/2008	01/01/2009	01/01/2010	01/01/2011
• Asia and the Pacific	8	9	8	8	8
• East and Southern Africa	7	10	12	11	12
• Latin America and the Caribbean	7	9	8	8	8
• Near East, North Africa and Europe	7	8	9	9	10
• West and Central Africa	9	11	10	10	11
<b>Total</b>	<b>38</b>	<b>47</b>	<b>47</b>	<b>46</b>	<b>49</b>

21. In a supporting function to CPMs, the members of the Country Programme Management Team (CPMT), including legal counsels, loan officers and technical advisers, also received increased exposure to supervision and implementation issues. In addition to headquarters-based human resources, nationally recruited staff from country offices, whenever established, also played a major role, providing continuity in implementation support, and strengthening interaction with partners and government counterparts through knowledge management and policy dialogue.
22. With regard to loan administration, in 2007 PMD established the Supervision Support Unit in its front office, led by an experienced former officer of the United Nations Office for Project Services (UNOPS), to process withdrawal applications and to support the CPMs and programme assistants, who started playing a very important role, on loan administration functions. With the rapidly increasing volume of withdrawal applications, the Supervision Support Unit was decentralized in 2008 and each of the five regional divisions established new portfolio adviser positions (in some cases called financial management officers) to take on the Supervision Support Unit function (the current supervision guidelines still refer to the now-defunct Supervision Support Unit). The portfolio adviser positions were filled by staff with relevant experience in loan administration either from IFAD or from UNOPS.
23. **Financial resources.** In line with the central role that PMD was expected to play in the implementation of the supervision policy, the department availed of the budget formerly paid to the cooperating institutions for their supervision activities. Since the cooperating institutions had charged IFAD with substantial overhead costs in addition to the direct costs of their supervision, the amounts available for the new DSIS were substantial and, as reported orally by PMD sources, in some cases have been used for strengthening the capacity of country offices.

#### **IV. Initial assessment of progress<sup>8</sup>**

24. This section provides an initial assessment of the progress made by IFAD in implementing the supervision policy, points to the lessons that can be drawn from the achievements, and discusses the emerging issues affecting DSIS.
- A. The pace of change from cooperating institution supervision to direct supervision by IFAD**
25. **Variation in approaches by PMD divisions.** PMD management gave considerable flexibility to its regional division directors in implementing the supervision policy so that they could respond to their region-specific situations. The Asia and Pacific Division, supported by an experienced UNOPS staff member recruited from the UNOPS regional office in Bangkok, was the fastest to shift responsibilities from cooperating institutions. The East and Southern Africa Division followed and established a regional office (initially mostly with former UNOPS staff) responsible for the fiduciary supervision of all the projects in the region. The Latin America and the Caribbean Division initially invested substantial resources to enable the division to handle DSIS and then moved away from the former extensive reliance on subregional cooperating institutions. The Near East, North Africa and Europe Division and the West and Central Africa Division took a more phased and holistic approach, moving to a mode of gradual changeover, in line with the expectation in the supervision policy. Thus each regional division developed its path to DSIS at its own pace within the framework of the supervision policy.

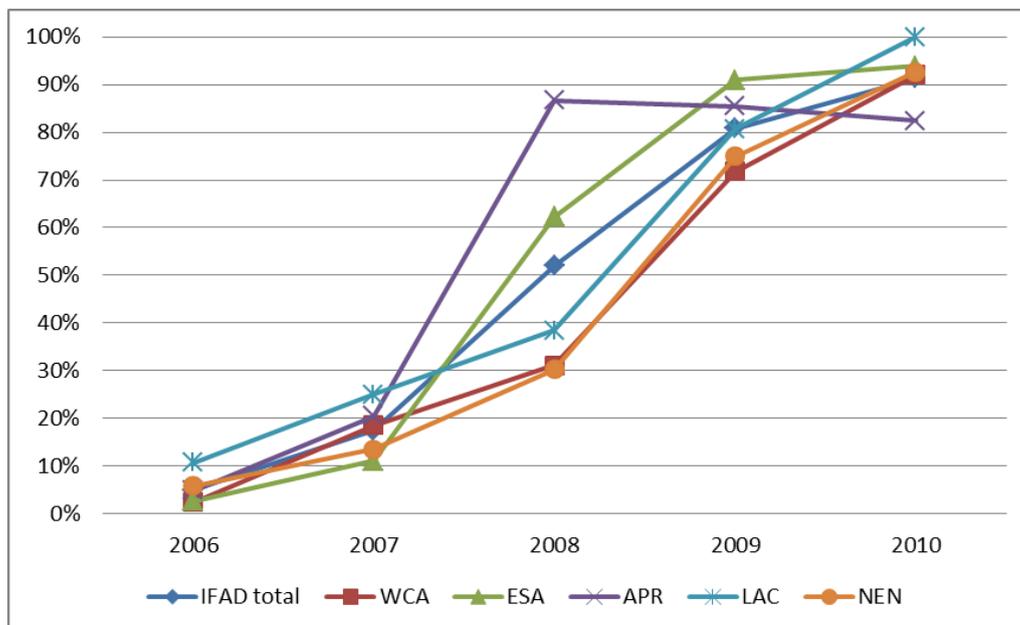
---

<sup>8</sup> This section is based on two sets of documents: (i) evaluation documents emanating from the Independent Office of Evaluation of IFAD and the Office of Audit and Oversight; and (ii) self-assessment documents from the Programme Management Department. The information from the latter source does not provide an evaluation of project results and it has to be treated accordingly, i.e. with qualifications.

26. Accelerated shift to direct supervision. The supervision policy anticipated a gradual reduction in the reliance on cooperating institution-supervision from 95 per cent of IFAD-financed projects in 2006 to “most grants/loans being supervised by IFAD by the tenth year”, excluding projects initiated by other IFIs and cofinanced by IFAD. As illustrated in Figure 1, the changeover from cooperating institution-supervision to the supervision policy’s 10-year goal was much faster than anticipated and practically completed by mid-2010.<sup>9</sup>
27. Phasing out of the DSPP-blended approach. An initial attempt by some divisions to blend IFAD implementation support with cooperating institution fiduciary supervision, as implemented during the DSPP, was soon abandoned for a full shift to IFAD’s responsibility. This change was made for several reasons: (i) there was a level of duplication of functions; (ii) clients were confused; and (iii) accountability between IFAD and the cooperating institution was diluted. As a result, deteriorating relationships were reported with some cooperating institution partners (the case of UNOPS was mentioned explicitly in portfolio reviews) and with some government agencies. Despite the rapid increase in workload, IFAD’s decision to take over the entire DSIS was considered a better scenario than dealing with confused supervision arrangements.

Figure 1

**Rate of change to direct supervision by IFAD division**



WCA = West and Central Africa Division; ESA = East and Southern Africa Division; APR = Asia and the Pacific Division; LAC = Latin America and the Caribbean Division; NEN = Near East, North Africa and Europe Division.

## **B. The two functions: supervision and implementation support**

28. **Supervision.** As described earlier, initially IFAD Management placed greater emphasis on the fiduciary aspects of supervision, namely loan administration, disbursements and procurement. During interviews, some CPMs were reported to have been “scared” to take on the fiduciary responsibility for lack of competence and, initially, lack of institutional support. Also, the volume of work associated with the fiduciary function, in particular processing withdrawal applications, put a heavy new workload on them and their programme assistants, reducing as a consequence the time they had to manage other aspects of the country programmes under their

<sup>9</sup> By mid-2010, only two non-cofinanced projects were still supervised by a cooperating institution (UNOPS), and these have since been completed.

responsibility. As well as this issue, the (slim) potential of conflict under the new disbursement processes will be discussed in part C of this section.

29. In 2010, AUO carried out an internal audit on direct supervision: the first part addressed procurement, while the second part focused on disbursement. As to procurement, the audit's findings and recommendations were accepted in large part by PMD while the audit on disbursements recommended some substantial changes from the present arrangements.

Box 1

**Internal audit on direct supervision**

One of the main issues related to procurement and disbursements identified by the audit was organizational, and in particular regarding the roles of PMD and the Controller's and Financial Services Division (CFS). AUO advocated that PMD, as the department exposed daily to procurement and disbursement issues, should be operationally responsible for it, but with oversight outside the department. Moreover, AUO recommended that CFS should be fully responsible for disbursements and that the reporting line on non-operational issues of the portfolio advisers should change from the PMD regional divisions to CFS. These recommendations have only been partly accepted by PMD and are operationalized to some extent with the Information Circular to All Staff (see paragraph 18).

30. **Implementation support.** The supervision policy set out the principle of the recognition of loan and grants receivers as owners and implementers of IFAD-supported projects, with shared accountability for outcomes. IFAD in turn was expected to provide technical support as needed, to achieve country programme's development objectives. This support was to be provided both under DSIS arrangements and under cooperating institution supervision. In effect, IFAD would now go beyond the implementation support it had provided traditionally for cooperating institution-supervised projects. IFAD had traditionally supplemented cooperating institutions with some implementation support, mostly quite limited and normally focused on IFAD priority areas. Thus, the stage was set for IFAD to provide implementation support while cooperating institutions (not necessarily limited to the traditional international organizations) would carry the fiduciary responsibilities for supervising projects.
31. As spelled out in the supervision policy, supervision and implementation support are two mutually supportive and operationally linked functions. Conceptually, the two functions can be clearly delineated and distinguished. However, with IFAD's growing on-the-ground experience in DSIS, the distinction, while conceptually sound, was found by IFAD's front-line practitioners to limit the advantages of combining the two functions. It may thus be concluded that the supervision policy has actually contributed to IFAD's learning that it is an advantage for it to combine carrying out fiduciary supervision with implementation support rather than to pursue the various options of splitting supervision and implementation support between two organizations as outlined by the supervision policy.<sup>10</sup> Linking supervision and implementation support functions may also have yielded benefits in terms of costs and efficiency, through avoidance of duplication and more effective overall project and programme supervision.

### **C. Processes and instruments, and issues**

32. As mentioned earlier, DSIS processes and instruments are spelled out in the supervision guidelines and the subsequent more detailed Supervision Report Guidance Notes. They follow largely the good practices regarding project and programme supervision that IFAD (only partially) and other IFIs have developed over many years, incorporating their extensive experience on the subject. The

<sup>10</sup> In fairness to the DSIS document, it should be noted that this conceptual distinction can be found in all documents related to the DSPP, including the corporate-level on the DSPP.

supervision guidelines outline the context of the supervision policy well, placing DSIS into IFAD's new development architecture. A review of the supervision guidelines suggests that they provide the basic service required to guide managers and staff to take on the new DSIS responsibilities, particularly related to fiduciary requirements.

33. However, the supervision guidelines provide little guidance on implementation support, particularly when it comes to the role that DSIS may play in helping IFAD become more effective as a conveyor of knowledge in the areas of special interest to the Fund. Even less is said about the role that CPMs are expected to play in a dialogue with borrowers on issues related to DSIS activities (see box 2 on how policy dialogue related to DSIS can take place).

Box 2

**Scope of dialogue related to DSIS support**

A dialogue at the project-specific level as part of DSIS is required to achieve project effectiveness. Normally, it focuses on the covenants included in financing agreements and on key operational issues. These aspects are regularly captured in aides-memoires. The dialogue may be pursued at various levels of country authorities and may offer opportunities for discussion on an issue that goes beyond the specific project, mainly in preparing and implementing a COSOP. Depending on the local context, IFAD may find it more effective to embark on a dialogue directly or together with relevant partners or through local implementing partners. IFAD-financed projects may include components that have broader policy implications at country-wide level (or in a large country, at provincial level). This may cover, for instance, non-discriminatory access of women to land ownership, and the respective need for amendments to legislation. There may also be agriculture sector policy issues on which the success of a project depends.

Finally, it may be helpful for IFAD to participate with other partners in a macroeconomic or other country-wide policy dialogue when the success of a project is at stake. This may be the case, for instance, in the context of major distortions in prices, which act as a disincentive for small farmers, or other discriminating policies against a group of beneficiaries of IFAD-financed projects.

In sum, for the policy dialogue under DSIS it is important that (i) there be a direct link between the project under supervision and the policy issues that impact on the project, and (ii) opportunities to broaden the policy dialogue beyond the project be pursued in line with the COSOP. Given the importance and at times sensitivity surrounding a policy dialogue, it requires the personal attention of the CPM and support from his/her division director.

34. **Role of country offices.** The supervision guidelines contain almost no guidance on the role of country office staff in implementing the supervision policy. The only reference relates to technical support during project implementation, mentioned almost incidentally in the context of CPMTs. There are good reasons not to straightjacket the role of country offices in DSIS, especially in countries with outposted CPMs. However, it would seem desirable that in an update<sup>11</sup> the supervision guidelines spell out the full range of the opportunities that IFAD wishes country offices to exploit when performing DSIS functions. In this context, it will be important to highlight that implementation support should never result in country office staff, or other IFAD staff, interfering with the management responsibility of project implementing agencies.
35. This synthesis report found many references on the role reported to have been played by country offices in implementing the supervision policy. The information is

<sup>11</sup> There are various other references in the supervision guidelines that need updating. For example, the guidelines outline the role of the Supervision Support Unit, which was subsequently decentralized and replaced by programme advisers placed in the front office of the five regional divisions.

based on discussions with CPMs and on documentation available on the subject through case studies.<sup>12</sup>

36. The sources available are remarkably consistent in suggesting that country offices have played a major role in implementing the supervision policy. What is striking is the diversity and the enormous variance in the role played by country offices, in contributing, participating and, in some cases, leading supervision and implementation support activities. These different arrangements reflect country circumstances, IFAD's country programmes and the specific capacity of a country office (which depends a good deal on the presence of a CPM in such office). The role of country offices in IFAD's implementation of the supervision policy is confirmed in the recent self-assessment report on the IFAD Country Presence Programme. The self-assessment goes as far as to conclude that "without a cadre of staff located in-country, IFAD's transition to direct supervision would likely have been less effective, and more costly."
37. Because of the ad hoc nature of the terms of reference of the country staff, greater coordination and clarity of objectives may be required to avoid duplication of work between headquarters and country offices. This is necessary as IFAD needs to ensure that there are sufficient resources available to address DSIS as well as other key activities such as knowledge management, policy dialogue and partnership-building. (Box 3 highlights the experience in Kenya).

Box 3

**Role of the Kenya country office in implementing the supervision policy**

There was a marked surge in IFAD's performance after the Fund opened the Kenya country office in 2008. The country office is currently staffed with a CPM/IFAD representative, a country programme officer and a country programme assistant. All central government partners interviewed confirmed their appreciation of both IFAD's enhanced accessibility and the expected lower transaction costs for country programme management. The results of the project managers' self-assessment reached the same conclusion. On the other hand, it also stressed that inadequate staff capacity at the country office had caused some delays. The opening of the country office has, however, enhanced prospects for policy dialogue and for the forging of partnerships, but overall capacity and resources to engage in policy dialogue remain constrained. This is due partly to the vast amount of work involved in designing new operations and managing the six projects currently under implementation, but also to the fact that the policy agenda and priorities are not sufficiently defined.

DSIS – undertaken by the country office – also appears to be appreciated both by the projects and by the central government agencies. This new arrangement has made it possible to combine the verification of fiduciary aspects with technical and methodological implementation support, which was not obvious when UNOPS was in charge of project supervision. IFAD's country presence DSIS can be considered as a synergy-building package conducive to closer interaction and transparency. The CPMT is appreciated by government for its responsibility in advising and providing inputs towards country programme management. A recent example (March 2011) was the participation of the Nairobi-based CPMT, by video conference, in the discussion at IFAD's Operations Policy and Strategy Committee of the concept note for the design of the follow-up phase of the Mount Kenya East Pilot Project for Natural Resource Management.

Source: CPE Kenya, draft report (March 2011).

<sup>12</sup> The answers to an informal questionnaire sent to country programme managers (CPMs) and country programme officers (CPOs) for China and Uganda confirm the significant involvement of the CPOs in DSIS (about one half of the time for the CPO in China; specified in terms of tasks but not of time for the CPO in Uganda), and the major increase in the workload arising from DSIS for the CPO and the CPM; for the latter, the urgent work associated with DSIS threatens to crowd out other, mainly more strategic work on which the CPM is expected to take the lead. Both countries report favourable feedback from IFAD stakeholders, especially government and project managers who like the closer IFAD follow-up and, more broadly, the closer relationship obtained under the new DSIS arrangements. Finally, the responses confirm that the distinction between direct supervision (DS) and implementation support (IS) is difficult – "They go hand in hand in China."

38. **Workload.** All documents available on the changeover to DSIS are consistent in pointing to the enormous workload put on the CPMs with the transfer of responsibilities from the former cooperating institution supervision. There is inadequate information to analyse the weight of the different elements of the new responsibilities now falling on the CPMs and how work is distributed between the CPM, programme assistants, regional portfolio advisers, loan officers and country staff. However, there are many examples from evaluations (such as the one in box 4) that highlight the increased workloads.

Box 4

**Additional workload resulting from DSIS**

Direct supervision has helped IFAD to become more familiar with the issues of land tenure in Mali, and represents therefore a promising option since the cooperating institution cannot provide specific skills. However, DSIS has imposed extra work on the country programme officer, without reducing other duties. Ultimately, direct supervision has advantages but would require a careful review of its challenges such as the additional workload, the budgetary implications and the technical skills required.

Source: CPE Mali (2007).

39. On the basis of the interviews with IFAD managers and AUO's report on direct supervision, it seems that, among the fiduciary functions, the disbursement function, mainly the handling of prior reviews on procurement procedures and the withdrawal applications, has been particularly burdensome for the CPMs and their colleagues. From the information available, there does not appear to have been a thorough study, involving all the parties concerned, of the CPM's role in and responsibility for handling these tasks. They seem instead to have been transferred as part of the package of supervision responsibilities from the former cooperating institutions to the CPM. It is not clear to what extent the availability of administrative staff within PMD<sup>13</sup> provided an incentive for the department to use this possibly underemployed staff for the new flow of work, mainly with regard to processing of withdrawal applications, and thereby make the department more efficient. Whatever the reasons for putting this workload into PMD, in addition to the increased emphasis on implementation support, the effect has been a significant additional load on the CPM.
40. It should be noted that there are good reasons for CPMs taking a direct interest in withdrawal applications as an instrument of control. It enables them to ascertain that disbursements are made for the purposes intended and are consistent with the expenses incurred by the executing agency responsible for implementing a project. It is important that the CPM be knowledgeable about the state of progress of project implementation and thus the underlying basis for the eventual disbursements. However, it does not mean that the CPM should have to spend valuable time on controls that can be handled by others at lower opportunity costs. The CPM's foremost role is to develop and help implement the country programme as a whole, which goes beyond project implementation.
41. **Balance of responsibilities between PMD and CFS.** There is a potential for a conflict of interest when a CPM is responsible for approving procurement and withdrawal applications. The former action is unambiguously a requirement for the CPM since it is IFAD's no-objection for an essential (and, it is hoped, timely) project implementation action. The latter is a control function for the eventual payments on the procurement authorized by the CPM. Given the typical "diffusion" of small contracts under IFAD-supported projects, the potential for conflict of interest arising from combining approvals for both ex ante and ex post action on the same

<sup>13</sup> The ratio between administrative and higher-level professional staff is reported to be unusually high at IFAD in comparison with that of other international financial institutions according to a statement made during interviews with a PMD manager. Unfortunately, in the absence of any cost data relevant for assessing the implementation of the supervision policy, this (and other) information cannot be corroborated.

contracts may be considered relatively small. At the same time, though, IFAD does not need reputational risks in this respect. It is not by accident that other IFIs have chosen different arrangements for handling disbursement requests from borrowers. The World Bank requires borrowers to send disbursement requests directly to the loan department,<sup>14</sup> which, like IFAD's CFS, is a part of the financial rather than operational complex. World Bank staff responsible for supervising projects has to keep their colleagues in the loan department informed about the implementation progress of projects and programmes to ensure that the underlying conditions are fulfilled for loan disbursements.<sup>15</sup> IDB has a different model: from its beginning in 1959, IDB has delegated the entire supervision function to its country offices. That function includes the handling of disbursement requests by financial/audit specialists.

42. The supervision guidelines spell out in detail the handling of withdrawal applications in PMD. PMD prepares payment orders and sends them to CFS, which does an additional check with a potential duplication of functions. At present, CFS is working on an "electronic flow" of the withdrawal applications with potential costs and time savings, including a reduction of errors while entering hard data into electronic form.
43. **Changes in reporting.** The reporting system seems to have evolved with little change. The newly designed project status reports bring together all the information/data from project supervision missions and present the recipients with an overview on the state of the project. In the light of the approval of the IFAD Policy on the Disclosure of Documents,<sup>16</sup> which includes the disclosure of supervision mission reports on request, Asia and the Pacific Division has instituted a quality review process for those reports. The other regional divisions have instituted their own systems to ensure the quality of their PSRs, relying in particular on their portfolio advisers, though according to the information available, differences may remain in the quality assurance for PSRs across the five divisions.

#### **D. Initial achievements at the portfolio level**

44. **Greater attention to the quality of cooperating institution supervision.** Resulting from the responsibilities given by the supervision policy, a new culture vis-à-vis supervision seems to have evolved in IFAD. Starting from 2007, regional portfolio reviews gave greater attention to the quality of cooperating institution supervision, including the quality of the reports, the latter also as a result of the new disclosure policy. Some regional divisions have introduced an internal peer review process of supervision reports, also as a mechanism of knowledge-sharing. The 2007 regional portfolio reviews include a special assessment of cooperating institution supervision performance based on ratings that CPMs had been requested to provide for each cooperating institution. Ratings for cooperating institution supervision performance showed a decline against previous years. It is less than clear whether cooperating institutions performed more poorly or whether this decline was the result of IFAD's greater awareness of, and attention to, cooperating institution supervision quality. The closer scrutiny of the cooperating institution supervision reports led the regional portfolio reviews to express concerns about the quality of these reports.
45. Many evaluations identified similar concerns. In addition, evaluations (such as the Benin example in box 5) found that cooperating institution-led supervision did not give sufficient attention to implementation support and the broader development effectiveness objectives of DSIS.

---

<sup>14</sup> Much of the staff of the loan department are reported to be located in India.

<sup>15</sup> Much of the checking of disbursement documents is now being done in the World Bank's country offices.

<sup>16</sup> GC 34/INF.2/Rev.1.

**Cooperating institution supervision in Benin**

In Benin, cooperating institution supervision reports (UNOPS, the West African Development Bank, etc.) seemed to have been more confined to the financial and technical aspects of project management, focusing on administrative and accounting procedures that compare the initial quantitative targets and budgets with the achievements. The reports do not comment on the impact, effectiveness, efficiency or sustainability of project activities. By missing out on these indicators, supervision is experienced as a control process that adds little to ensure that a project is achieving its development objectives. Moreover, cooperating institutions did not provide the necessary flexibility for the projects to react to realities on the ground, a position that did not cause them any problems. Each cooperating institution has its own procedures and way of doing things.

Source: CPE Benin (2005).

46. As IFAD-supported projects moved to the DSIS modality, regional portfolio reviews referred to common problems identified with cooperating institution supervision, which appeared to have been mainly in the fiduciary area. The 2010 RIDE added that with the move from cooperating institution supervision to DSIS, the quality of project-level accounting and financial management and reporting practices and systems had to be subjected to more comprehensive reviews partly because IFAD had to face a multiplicity of different standards and procedures that had been adopted by cooperating institutions. One positive result reported was a better understanding by IFAD supervisors of each country's financial and procurement systems and procedures, knowledge that can be fed into the design of future projects.
47. **Increased emphasis on project implementation.** A greater focus on implementation support has been consistently found in projects that have moved to DSIS. For instance, more attention has been given to implementation issues of particular interest to IFAD (targeting, gender). Other reported achievements relate to a better relationship between IFAD and the government, a more responsive relationship with projects and better follow-up after supervision. For example, evaluations find that supervision is carried out with more continuity than under the traditional cooperating institution model. Start-up support has become more substantive, and implementation bottlenecks are addressed more promptly.
48. Implementation support has been carried out mostly through specialized consultants, but some expertise has been made available through technical assistance grants. Under the DSIS model, full supervision missions are frequently supplemented by follow-up and implementation support missions that (i) focus on unresolved issues, and/or (ii) focus on specific issues that had been identified during supervision missions. Regional portfolio review discussions refer to a wide variety of follow-up missions on technical concerns, monitoring and evaluation (M&E) and financial management (see box 6 for a succinct example of the transition to DSIS in IFAD programmes).
49. **Frequency and intensity of supervision.** As to the frequency and intensity of supervision, the regional divisions report an increase in both the average number of supervision missions and their intensity. From the regional portfolio reviews it appears that many follow-up missions are being fielded in response to emerging issues while the timeliness of these missions is being given greater attention. However, at present no systematic data at the IFAD-wide level on supervision plans have been found.

**Evolution of supervision in India**

The full India portfolio was brought under direct supervision from 2008 onwards. The CPE found direct supervision, and especially implementation support, to be better and more appreciated by all local partners, as compared with supervision by cooperating institutions. For example, partners and project authorities reported that DSIS had contributed to better communication and a more timely resolution of bottlenecks. The staff of the India country office is heavily involved in supervision and implementation support, and has been able to promote more active networking and knowledge-sharing among projects.

Supervision missions normally entail the participation of the staff from the IFAD country office and, whenever possible, of the India CPM, in addition to short-term consultants hired with different subsector expertise depending on the nature of the project being supervised. Country office staff also provides regular implementation support in selected areas as they emerge during implementation and constantly monitor project progress. Moreover, in the short period that IFAD has been directly supervising and providing implementation support to projects, it has successfully moved away from a model of six-monthly visits to one of frequent interaction with project management units, government agencies, NGOs and other executing partners. In fact, supervision and implementation support is now undertaken as joint reviews together with the Government and other implementing partners, which enhances quality and ownership in the process.

Source: CPE India (2009).

50. **Problem projects.**<sup>17</sup> Problem projects have been identified earlier as a result of the changeover to DSIS. Divisions reclassified project performance status more frequently and put greater efforts and resources into addressing key bottlenecks. As a result, the overall number of PSRs with satisfactory and higher scores for project implementation progress, after dropping in 2008/09, improved significantly in 2009/10.<sup>18</sup> Direct supervision has also made it possible to detect corruption more frequently relative to cooperating institution supervision.
51. **Rate of disbursement.** Regional divisions reported in their portfolio reviews accelerated disbursements for a good number of projects. This is the result of more responsive procurement, greater attention to handling withdrawal applications and, more broadly, the timely attention given to emerging implementation issues. It suggests that the changeover to DSIS has helped increase loan disbursement rates. Here again, this synthesis report has not found the IFAD-wide data required for a meaningful analysis of this highly relevant sector.
52. The 2010 RIDE gives probably the most succinct self-assessment of the results from DSIS at the project level. It observes that, overall, the quality of performance analyses, especially in the case of problem projects, has improved and the regional divisions have started identifying problems that were not reported earlier by the cooperating institutions. This has allowed earlier identification and resolution of performance-related risks regarding the achievement of project objectives, risks that otherwise would have been detected only at completion. The same 2010 RIDE concludes that the improvement in results has “undoubtedly been IFAD’s direct supervision and country presence, both of which have allowed a much stronger engagement with the implementation of projects and the local institutions that have direct and indirect responsibility for project success”. The same RIDE adds that DSIS has been especially valuable in bringing the necessary attention to issues of prime concern to IFAD, including gender mainstreaming, targeting and the building of grass-roots institutions.

<sup>17</sup> Definition of a problem project: projects rated as unsatisfactory on one or both of the following criteria: (i) progress achieved in meeting the development objectives; and (ii) project implementation progress.

<sup>18</sup> However, this trend is derived from partial regional portfolio review data.

## **E. Initial achievements at country programme level**

53. **Knowledge management.** The annual portfolio reviews point to an evolution in learning and knowledge management. In the early years, expectations were expressed on the opportunities that DSIS offered to enhance learning and knowledge management. However, up to 2009, the reality was that all the divisions seemed to be absorbed by the efforts needed to introduce the basics of DSIS; the focus was on using the new supervision system to improve project supervision performance and, through this, project performance. The differences among divisions in the phase-in of DSIS seem to reflect variations in starting to focus on the opportunities that DSIS offers in terms of learning and knowledge management. In 2009, the East and Southern Africa Division referred to its increased ability to review project supervision progress regularly through quarterly divisional discussions, thereby identifying successful experiences and promising innovation.<sup>19</sup> Asia and the Pacific Division uses the semi-annual quality assurance review of supervision reports for a department-wide review and discussion to identify good practices and issues of inter-project relevance.
54. There is widespread agreement that the implementation of DSIS activities has yielded increased project knowledge, but so far most evaluation findings report that performance in knowledge management remains weak, largely due to a lack of specific initiatives, mechanisms and resources dedicated to knowledge management. The 2010 ARRI observed that more efforts should be made for systematically using opportunities for cross-fertilization and exchanges of lessons learned for knowledge management.
55. Most portfolio reviews acknowledge that DSIS should make a more active contribution to knowledge management, including the nurturing of innovation and support to policy dialogue and scaling up. There are a number of indications that greater attention is being paid to knowledge management, such as the increasing share of aides-memoires that have a knowledge management item and the greater attention to the knowledge management appendix of the Project Status Report as required.<sup>20</sup> There seems to remain a danger that this appendix is not systematically used across the different units of PMD.
56. In sum, DSIS has provided IFAD with a most valuable new instrument for learning. Some of this learning has been used, so far mainly within a country and at the project level, to make project design better adapted to local circumstances and put country programming on a more informed and realistic basis. What is still outstanding is a systematic bringing together of the now diffuse learning and building a knowledge management base that would contribute systematically to the further improvement of IFAD's development effectiveness. Indeed, as the head of PMD confirmed during a discussion, this is "unfinished business".
57. **Policy dialogue.** As to assessing the impact of DSIS at the level of policy dialogue and country programming, the 2010 RIDE concludes that, as a result of DSIS, IFAD's direct engagement with client governments and other stakeholders has improved significantly, with nearly all client governments showing preference for DSIS. Moreover, DSIS gives CPMs wider opportunities to advance IFAD's objectives at the country programme level through knowledge management, policy dialogue and partnership development. However, some portfolio reviews in the early years of DSIS cautioned that the learning and work pressures related to the immediate

---

<sup>19</sup> In 2009 The East and Southern Africa Division published 12 "stories from the field", which were gathered and published as part of supervision reports on IFAD's website and in print form.

<sup>20</sup> The most recent quality assessment of supervision reports in Asia and the Pacific Division refers to the knowledge management appendix as showing "very mixed performance, though often good content", varying "from extremely detailed to minimal comment", this being a function of the stage [of implementation] of the individual project. The assessment finds that, in general, continued efforts in diffusion are needed.

project supervision and implementation support circumscribed the resources available for other country programme-related activities.

58. The most recent ARRI finds that DSIS enhances communication with government, and establishes and nurtures partnerships with multiple stakeholders. The portfolio reviews corroborate the ARRI findings, citing examples of improved relationships and dialogue as a result of the closer interactions among CPMs, field officers and the implementing partners. Although the more regular country visits and discussions of aides-memoires with governments provide an opportunity for initial policy dialogue to take place, this dialogue has had limited impact. The CPMs seem to be focused on project-level implementation and do not appear to have the resources available, or perhaps the ability, to engage further on the policy dialogue and partnership-building that is needed to generate broader results at the country level (see box 7).

Box 7

#### Policy dialogue in Rwanda

The introduction of direct supervision and the opening of a country office in Kigali have so far served the purpose of solving implementation delays or addressing other forms of project implementation problems. The country office is spending a considerable amount of time organizing and following up on supervision missions and connected financial transactions and fiduciary checks. Less time is spent on other non-project activities such as policy dialogue, developing partnerships and knowledge management.

IFAD has made some contributions to policy work, funding consultants and other support to assist the Government in developing strategies. For example, it supported the Government in developing the Strategic Plan for Transformation of Agriculture, providing, together with other donors such as the United Kingdom's Department for International Development (DFID) and the Government of the Netherlands, a grant to enable the Ministry of Agriculture to recruit consultants. With respect to "pure" policy dialogue (that is, where IFAD staff engages in dialogue, advocating IFAD policy positions), the volume of activity is modest and so are the outcomes.

Despite the COSOP pledges, IFAD has not contributed to developing the institutional/policy framework for microfinance or rural finance, which instead was developed (microfinance law and regulation) by the Government in cooperation with other development partners. In fact, IFAD is detached from a new joint initiative of the Government and development partners initiated by DFID, Access to Finance Rwanda (AFR). It is expected that AFR will assist the Government in developing a rural finance policy. IFAD did not react when changes in government policies on establishing savings and credit cooperative (SACCOs) led to the demise of village-level savings and loan associations that had been piloted through an IFAD-funded grant. IFAD might have advised a cautious approach to the nation-wide establishment of one SACCO per administrative sector by administrative fiat.

Source: CPE Rwanda, draft report (May 2011).

59. **COSOPs.** The documentation from PMD provides many insights into the opportunities that DSIS has offered for an enhanced dialogue with governments and other parties. Eleven of the 23 COSOPs from the period 2008-2010 contain substantial details on IFAD's supervision and they offer a sense that DSIS contributes to improved country programmes. Accordingly, in these COSOPs, DSIS is considered a valuable instrument to support greater integration between the various loans and grants across a country portfolio.
60. **Paris Declaration on Aid Effectiveness.** Finally, a specific interaction at the country level is worth noting. Reflecting IFAD's efforts to promote an increased use of national administration systems – in line with its commitments under the Paris Declaration on Aid Effectiveness – the supervision guidelines (and the new procurement and disbursement guidelines) take a country-wide approach in the fiduciary areas, highlighting the need of country-specific processes on procurement and on financial/audit systems. In this area, IFAD draws on the country

procurement assessments and country financial accountability assessments of other IFIs, mainly the World Bank.

61. In line with the reference to the Paris Declaration in the supervision policy, IFAD's commitment to increase the use of national administration systems is evidenced beyond the examples mentioned in the preceding paragraph. DSIS has enabled IFAD to work much more closely with national systems as part of its direct supervision of project implementation than was possible under the cooperating institution-supervision model. This has been felt most positively in countries with greater implementation capacities. In countries with lower capacities, this closer IFAD involvement has at times been felt as an additional burden to already overloaded officials and project managers. However, in such cases, it has also provided IFAD with better knowledge to give additional support where agreed by such persons.

## **F. Promising practices and emerging issues**

62. **Promising practices.** It would be premature to draw from the foregoing initial findings best practices that could be applied broadly to strengthen IFAD's DSIS activities. However, it appears worthwhile to identify a few promising experiences that might be explored further in the forthcoming CLE. A first area in which the synthesis report found interesting ideas and practices relates to efforts introduced by PMD's division directors to ensure that the new DSIS responsibilities are being carried out at a high level of quality. Among the different practices developed by the divisions, the following examples merit attention:
- Asia and the Pacific Division has established a semi-annual quality assessment of supervision reports, using a highly experienced consultant to assess all PSRs prepared during the review period (e.g. 34 reports for the February 2011 assessment). The assessment culminates in a divisional review with all staff concerned, thereby ensuring consistency across the region in terms of ratings and follow-up actions.
  - The East and Southern Africa Division has set up a portfolio review team (PRT), comprising the regional economist, financial management and knowledge management officers, and the programme assistant. The PRT reviewed the coherence of PSR ratings, and it has also addressed programme structure and major fiduciary and technical issues arising from DSIS.
  - In countries with large portfolios, DSIS enabled IFAD to promote horizontal collaboration among projects and test cost-effective ways to link up project supervision activities with the review of its country programmes.
63. All divisions have developed their own practices for ensuring the quality/consistency of the DSIS activities they carry out within their region. The information available suggests that consistency across the five divisions may lag behind that of the efforts made within the divisions.
64. Another area where interesting experimenting is being carried out by the different division relates to the use of country offices in DSIS. Although this subject needs much further review and evaluation, it seems useful to point to the variance in using country offices for handling withdrawal applications. Specifically, delegation of this activity has been made at the country level in India, while in the East and Southern Africa Division the regional office in Nairobi has taken on this responsibility for all country portfolios. Such a regional approach may well lead to economies of scale, enabling the division, inter alia, to recruit the best possible candidates.
65. **Emerging issues.** At the same time, as divisions have developed new approaches to DSIS, new issues have come to the fore. Some have been mentioned above, such as the roles of PMD and CFS in loan administration, or the opportunities for using DSIS activities to enhance IFAD's effectiveness in knowledge management

and in policy dialogue with governments and partners. Other issues, including the following, also merit particular attention:

- IFAD has used the changeover from cooperating institution supervision to direct supervision to increase the frequency and intensity of supervision. This has paid off in terms of closer interaction with borrowers, project beneficiaries and other partners. An issue arises from the lack of evidence as to whether these efforts have tended to follow the prescribed frequency under the supervision guidelines or have instead been tailored to specific project needs.
- These increased interactions are changing the terms of supervision and of the relationship between IFAD and its projects, from a control function to a demand-driven/problem-solving one. This change seems unanimously appreciated. However, control functions are necessary for ensuring due supervision of fiduciary aspects.
- The attempts to shift DSIS's conclusions from "recommendations" to "agreed actions" are positive but introduce uncertainties over the boundaries of shared accountability between IFAD and the borrower.
- An issue, but also an opportunity, arises from the varying approaches that are now under way across divisions and countries in using country office staff for both supervision and implementation support. A more systematic approach to this issue across the divisions merits attention and could provide opportunities for both cost savings and improved IFAD effectiveness.
- The natural interlinkages between design, supervision and implementation support, and the need to ensure continuity among them, may lead to a potential conflict of interest whenever the same people (CPMs, consultants and country office staff) are involved in both dimensions.
- While the supervision policy clearly covers both loan-funded and grant-funded activities, at present IFAD grants do not receive adequate supervision, partly due to inadequate resources.

## **G. Costs**

66. **Lack of data.** The most glaring information gap found in the present review relates to data on costs related to the implementation of the supervision policy.<sup>21</sup> As spelled out in paragraph 13, there was an expectation that a relatively small amount of additional costs would accrue to IFAD as it shifted from cooperating institution supervision to DSIS (with the exception for cofinanced projects). This shift has now been completed. Therefore it should be possible for IFAD to determine the actual costs of the new system, taking into account the amounts formerly paid to cooperating institutions, in order to assess the cost of implementation of the new policy against the specific expectations for DSIS in the supervision policy.
67. **Basic costs.** According to information received from CPMs, it appears that they receive an annual budget of US\$45,000 per project for consultants/travel (including CPM travel). The adequacy of such funding was made an issue only rarely in the regional portfolio reviews (see the example from the India CPE in box 8). On the whole, CPMs seem to be able to carry out a considerably more intensive level of supervision than under the cooperating institution modality. This generally includes one full supervision mission and one smaller follow-up mission, usually related to implementation support. It seems certain that the average cooperating institution costs were considerably higher than the amounts now allocated to the CPMs since one figure mentioned as the cost savings to IFAD of no longer having to pay

---

<sup>21</sup> Note has been taken that not even the audit on direct supervision carried out by the Office of Audit and Oversight in 2010 contained any data on cost.

cooperating institutions was US\$12 million.<sup>22</sup> Much of the overhead formerly included in the bills from the cooperating institutions seems to have gone into building up country offices. However, since no exact figures have been made available, there is an insufficient basis for a needed cost assessment. This is particularly disappointing because of the many statements on an increase on the volume, including frequency, of IFAD's DSIS efforts.

Box 8

**Lowering cost of supervision through appropriate use of local capacities**

One important fact is that DSIS has enabled IFAD to pool resources allocated for the purpose and improve efficiency and quality, as compared with supervision by cooperating institutions. The average cost of supervision per year of a project in India is around US\$21,000 (net of India country office staff salary cost), which is much lower than the funds paid to UNOPS, which were around US\$60,000.

Source: CPE India (2009).

68. Given the absence of any detailed cost data, an assessment of how efficiently the implementation of the supervision policy was carried out is impossible at this stage. There are, however, a few pointers suggesting that some interesting efficiency gains may have been made. Internally, as referred to under the discussion of the handling of withdrawal applications by the CPMs, it seems that administrative staff, whose numbers are reportedly large at IFAD, have taken on a considerable additional workload without a significant increase in staff, thus suggesting an increase in efficiency. However, there are no direct data to verify this hypothesis. Second, country office staff seem to have become more deeply involved in supervision under DSIS than when cooperating institutions performed the supervision function, as indicated in the recent self-assessment report on country offices. Moreover, an increased reliance on local consultants in countries with country offices staff has been mentioned in the context of DSIS. This would have resulted in a lowering of cost against the cooperating institution-supervision model. But again, there is no way to find out in the absence of relative information.

## **V. Some lessons on supervision experience from other international financial institutions**

69. The review of the recent supervision experiences of other IFIs has been limited to reports prepared by the independent evaluation offices of AfDB, ADB, IDB and the World Bank. Another report was prepared jointly by the evaluation offices of the AfDB and of IFAD, which, inter alia, covered supervision. The reports, prepared in response to the specific evaluation needs of each IFI, varied in terms of objectives and scope, and were accordingly found to be of varying interest to IFAD. The review was supplemented by interviews with the evaluation offices and operational staff at IDB and the World Bank. A full assessment can be found in annex 6.

### **African Development Bank**

70. Although most of the criticisms on its supervision system and its performance contained in the AfDB evaluation report are institution-specific and would not apply to the situation faced by IFAD, two points merit attention. First, an efficient and effective results-based supervision system must be risk-based, giving proper attention to internal risks (those that project teams have direct control of and can take corrective action to address) and external risks over which managers of projects and programmes have no direct influence but against which they can mitigate. Second, with supervision gradually shifting from a centralized system to field-based arrangements, there is a need to integrate supervision instruments and

---

<sup>22</sup> The supervision policy document shows an imputed amount of slightly under \$10 million.

activities more fully, and to improve the monitoring of resources expended on supervision on a full-cost accounting basis.

#### **Asian Development Bank**

71. Although no evaluations exclusively addressing DSIS have been undertaken, the Independent Evaluation Department of ADB has conducted a number of the evaluations that address DSIS issues to varying degrees. A general finding from an evaluation study on the project cycle is that project implementation supervision is not given sufficient attention, particularly when compared with the emphasis on project preparation. Adequate supervision of ADB projects during the project implementation phase is necessary as it will significantly influence ultimate project success.
72. Another more recent report highlights the shift in thinking about supervision from a separate activity focused on outputs to an activity that is well integrated into project management and focused on improving development effectiveness and learning. This coincides with the move towards results-based management and the need to have much timelier access to information, particularly related to higher-level results and impact. The report goes on to link supervision to real-time evaluation and the role of mid-term reviews for generating this type of information. This link to development effectiveness and impact may be something for IFAD to consider. As IFAD has taken on direct supervision, it appears that the role and weight of the mid-term review has been reduced and, similarly, IOE has stopped undertaking mid-term evaluations.

#### **Inter-American Development Bank**

73. IDB's lessons, like ADB's, emphasize the need for a sharper focus on risks during supervision. However, more importantly, IFAD may find the broader results from a 2004 evaluation report of interest. This report provides an exceptionally thorough and meticulous evaluation of the bank's supervision system, detailing a range of shortcomings (e.g. lack of consistency in missions between projects, or project completion reports not submitted for many projects). According to the evaluation, the objective of supervision is to ensure that management is fully knowledgeable of the risks involved in IDB's operations. There is a danger that bureaucratic procedures and instruments, if not used properly, may create a sense of certainty about the institution's performance. The report distinguishes three levels of risks for the institution in achieving its goals: (i) development effectiveness risks; (ii) operational risks (depending on the ability of clients to implement agreed operations); and (iii) fiduciary risks (procurement, financial, environmental, social, etc.). Risks should be viewed as an integrated whole, meaning that supervision begins when a project is conceived. At that moment, risks faced by a project need to be identified in order to mitigate them, if they cannot be eliminated. Thus, supervision should start much earlier than is traditionally assumed: indeed, supervision begins with determining whether a project can be carried out at all. Supervision has therefore developed into a much broader concept than is traditionally the case in IFIs.
74. Following up on the 2004 evaluation study, IDB introduced a new policy on development effectiveness on which it is reporting annually in its Development Effectiveness Overview.<sup>23</sup> There are three pillars on which development effectiveness rests when measuring IDB operations: (i) a project's strategic alignment vis-à-vis IDB's strategic objectives, and the project's contribution to country-level results; (ii) project evaluability; and (iii) additionality of IDB's contribution in indirect improvements to the public agency executing the project and alignment with building and using country systems. Evaluability includes: (i) the extent to which a project provides an evidence-based assessment of the

---

<sup>23</sup> The Inter-American Development Bank (IDB), Development Effectiveness Overview, 2008-2009.

problem and how the proposed intervention will affect it; (ii) an M&E plan; (iii) an analysis of the cost-efficiency of the proposed intervention; and (iv) the identification and implementation of mitigation measures, with metrics for monitoring. Project performance thus is tracked from design to completion. In a first step, management has to rate operations for their ex-post evaluability, using a checklist of analytical and informational requirements for seven development performance areas. This process allows an assessment of whether a project meets a minimum set of information requirements such that reliable and credible M&E may be conducted during implementation, and reporting results from the interventions in a rigorous manner at completion is possible.

### **World Bank**

75. Until recently, the World Bank had two avenues to carry out M&E of its operations during implementation. The first avenue was conventional project and portfolio reviews to monitor and evaluate projects, programmes and strategies. Recent procedural changes indicate that the World Bank is placing more emphasis on evaluative aspects of project supervision. A move towards results-based management of projects and programmes has triggered the shift. The second avenue was the quality assurance group, which assessed the quality of project preparation, supervision and analytical work in a more rigorous evaluative framework and reports to World Bank management.
76. **Project supervision.** The World Bank's old operational directives, while recognizing that interim evaluations could be carried out during implementation, did not necessarily encourage them. The old directives stated: "Supplementary data collection and special studies required for interim evaluations should be kept as simple as possible, and planned to minimize interference with regular project operations." Monitoring and evaluation were considered separate activities, and evaluation was expected to be carried out at the completion of the project. This has evidently changed in recent years as the World Bank has moved towards results-based management of its programmes and projects.
77. New staff instructions for project administration state that "project supervision covers monitoring, evaluative review, reporting, and technical assistance activities to: (a) ascertain whether the borrower is carrying out the project with due diligence to achieve its development objectives in conformity with the legal agreements; (b) identify problems promptly as they arise during implementation and recommend to the borrower ways to resolve them; (c) recommend changes in project concept or design, as appropriate, as the project evolves or circumstances change; (d) identify the key risks to project sustainability and recommend appropriate risk management strategies and actions to the borrower; and (e) prepare the World Bank's Implementation Completion Report to account for the use of Bank resources, and to draw lessons to improve the design of future projects, sector and country strategies, and policies."
78. **Quality assurance group.** In 1996, the World Bank created the quality assurance group in response to evaluation findings that one third of its projects were not likely to achieve their intended objectives. The quality assurance group was set up under the managing director of operations to help improve the quality of World Bank operations by assessing the quality-at-entry of lending products, the quality of supervision, and the quality of analytical and advisory activities. Its purpose was to promote operational excellence through better accountability, and enhance learning by (i) providing real-time feedback to staff and management on operational effectiveness; (ii) finding out systemic problems impinging on efficiency; (iii) informing changes in policies, procedures and programmes; and (iv) using lessons learned to support training. The QUALITY ASSURANCE GROUP was closed after it had achieved its intended objectives. Its functions now largely fall under the umbrella of self-evaluation, or have been assigned to the Operations Policy and

Country Services Department, which provides advice and support to the president and managing directors.

79. **Independent Evaluation Group (IEG) findings.** Lessons from World Bank independent evaluations are of a different nature given that no evaluation of the World Bank's supervision system has been reported. However, in recent years IEG has prepared two reports on agriculture<sup>24</sup> that are of potential interest to IFAD in the present context: (i) one on the World Bank Group's worldwide experience in agriculture and agribusiness, published early this year; and (ii) one on World Bank experience in agriculture in sub-Saharan Africa, published in 2007. Both reports contain only small sections on the Bank's supervision. The main finding in the two reports relates to the World Bank's declining capacity to assist borrowers in the agriculture and rural development areas, from project design to supervision. The earlier report concludes that there has been a substantial, if not major, decline in technical capacity in agriculture in the Bank. The 2011 study also finds a decline in technical skills, which is most pronounced in sub-Saharan Africa, and is of major concern since its analysis shows that staff skills are likely to affect project design and outcome.
80. The reasons behind the decline in technical capacity were multiple, but one merits to be underlined. Discussions with World Bank staff suggested that the decentralization of agriculture staff into the World Bank's country offices meant that demand for sector-wide generalists was larger than for specialized technical staff. The upshot of the decentralization was thus that knowledge/experience, which in the past "travelled" across countries (and across regional offices), was now largely circumscribed to one country, and locally recruited agriculture staff benefited only rarely from obtaining experience by working in other countries. Therefore, in cases of moving IFAD staff from headquarters to country offices, it is important that technical staff so far used across countries do not become narrowly circumscribed to one country. It is also recognized that this is not likely to become a major issue at IFAD as long as staff in country offices are recruited locally.

## **VI. Conclusions and issues for the corporate-level evaluation**

### **A. Conclusions**

81. The last ARRI correctly portrays the 2006 decision to move to DSIS as one of the most "far-reaching changes" since the Fund was established. DSIS has enabled IFAD to get "closer to the ground" in borrowing countries and to understand the country context more fully. It has facilitated more direct follow-up with implementing agencies to resolve bottlenecks that have emerged during implementation, and it has allowed IFAD not only to achieve closer cooperation with other partners but also to establish and nurture partnerships with multiple stakeholders. In other words, DSIS has impacted on IFAD's entire operating model.
82. The findings in this synthesis report are based on the available evidence from independent evaluation and are supported by multiple other sources, such as self-evaluations, audits, and interviews with staff from IFAD and other IFIs. Inevitably, after only about four years of implementation of the supervision policy, this evidence is in some ways limited but it seems sufficient to draw a number of preliminary conclusions that should be further investigated in the upcoming CLE.
83. **Implementation of the supervision policy.** Overall, IFAD should be commended for its effort in moving to DSIS. Introducing the supervision policy and its

---

<sup>24</sup> Evaluative Lessons from World Bank Group Experience: Growth and Productivity in Agriculture and Agribusiness. Independent Evaluation Group – World Bank, International Finance Corporation and Multilateral Investment Guarantee Agency. The World Bank Group, Washington, D.C. (2011); and World Bank Assistance to Agriculture in Sub-Saharan Africa: An IEG Review. The World Bank, Washington, D.C. (2007).

implementation plan was ambitious given the complexity and extent of its impact on the Fund as a whole and on PMD in particular. Determined leadership in PMD was crucial to implementing the supervision policy at a much faster pace than was anticipated. It is worth recalling that at the time of the CLE on the supervision policy, the enthusiasm for taking on DSIS was not shared equally across the Department and by its divisional directors. The accelerated pace of the move to DSIS also attests to the seriousness and commitment of a number of CPMs, and their willingness to take on an expanded role in supervising IFAD projects.

84. However, the specific preparations needed for implementing this ambitious supervision policy were inadequate, evidenced best by the non-availability of a basic IFAD supervision manual for handling the new responsibilities until nine months after the Executive Board decision; by the insufficient training, especially on implementation support; and, perhaps more importantly, by the absence of an IFAD-wide study on the handling of disbursement arrangements that cut through two departments, CFS and PMD.
85. Implementation has progressed at different rates among the five regional divisions. This flexibility, inherited by the DSPP, was useful in the initial stages as it allowed each division to transition to DSIS at its own pace. It reflects, on the one hand, flexibility by PMD management and, on the other, a progression in line with varying degrees of readiness, whether for reasons internal to IFAD or external reasons. As a result, there is also a differentiation among PMD regional divisions in the approach to undertaking supervision (e.g. in the use of field offices including the outposting of CPMs) due to regional specificities and the lack of department-wide preparation for implementation. At the same time, the change was mainly PMD-driven, without adequate support provided by other relevant IFAD departments. Many of the supervision tasks are the lone responsibility of the CPM, which has created issues related to workload and conflict of interest.<sup>25</sup>
86. This ad hoc approach may have been appropriate at the initial stages of moving to direct supervision as it provided IFAD with five “pilots” from which to gain knowledge. However, in the longer term, IFAD should consider drawing on the best practices from the different approaches to increase harmonization, efficiency and shared responsibilities across IFAD departments, and to reduce risk (e.g. adoption of common quality assurance processes). In particular, it is important to define what the parameters for good supervision are and what the different PMD staff should be held accountable for. This last issue is of special concern to CPMs.
87. **Contribution to improving development effectiveness.** The positive contributions of DSIS to enhancing IFAD’s development effectiveness are most evident at the project level (e.g. enhancing the quality of project design, lowering problem project numbers, and increasing implementation performance levels, including loan disbursement rates) where increased implementation support in addition to direct supervision was provided. However, DSIS could support broader priorities beyond the immediate project objectives. IFAD’s impact seems to decline as it moves further away from project level to the other pillars of country programmes, such as knowledge management, partnership development and policy dialogue. Knowledge management has been especially weak across the Fund, although at the divisional level some recent progress is apparent. IFAD’s initial focus at the project level was appropriate and understandable, but to increase IFAD’s overall contribution to reducing rural poverty, greater emphasis is needed to link DSIS to broader objectives.
88. **Balanced use of human resources.** As evidenced throughout this review, the shift from cooperating institution supervision to DSIS has had huge consequences

---

<sup>25</sup> It should be noted that the corporate-level evaluation on the Direct Supervision Pilot Programme concluded that in order to undertake full direct supervision, IFAD would need to double the number of CPMs.

on the work of CPMs. Although PMD partially addressed this issue by increasing the number of CPMs, the issue has by no means disappeared. CPMs have to allocate much more time to management of: programme assistants, to whom they delegate much of the new work (e.g. checking of withdrawal applications); consultants (e.g. during supervision missions); and country office staff (e.g. during implementation support missions). At the same time, the job descriptions for PMD positions have not changed: they are still rather general and give no indication of the priorities among the various tasks.

89. Although an outcome not clearly anticipated at the onset, DSIS has set in motion a gradual shift of the centre of gravity of IFAD's work from headquarters to the field. In some cases, this has been translated into the transfer of responsibilities to country offices and their gradual strengthening. Interestingly, PMD is projecting that the large majority of newly recruited staff in the next few years will be in the field. Together with the increasing outposting of CPMs, this change affords tremendous opportunities in terms of enhancing efficiencies and development effectiveness, but also involves challenges, in terms of revisions to the organizational structure, job descriptions and the accountability framework.
90. Against this background, there is a need to optimize the division of labour in undertaking DSIS within IFAD and between IFAD headquarters and its country offices. Now that DSIS is well under way, CPM resources need to be directed at leveraging the increased knowledge gained through DSIS to build better country programmes, improve project design and engage in policy dialogue and partnership-building rather than spend undue time on controls, especially on ex post controls relating to expenditures and disbursements. Such an approach is likely to have a high pay-off for IFAD. Thus, a better understanding of the roles, responsibilities and distribution of labour within PMD (among the CPM, portfolio advisers, technical advisers of the Policy and Technical Advisory Division, programme assistants and country offices) and between PMD and CFS is required. To date, it is not clear to what extent the Information Circular on the new IFAD loan and grant administration model is being implemented. This is important as it is supposed to define the relationship between PMD and CFS.

## **B. Topics to be considered by the forthcoming corporate-level evaluation on the supervision policy**

91. The supervision policy anticipated that DSIS's benefits to IFAD would go beyond improved effectiveness at the level of project supervision. It expected that IFAD would be able to "integrate better the DSIS functions within country programmes, harmonized with partners, and align with country/government strategies"; and that "these arrangements would be more responsive to country-specific needs for improved performance". In this regard, the far-reaching implications of DSIS on IFAD's operating model can open the door to a large range of institutional domains, and hence it is necessary to integrate these in the future scope of the CLE.
92. It is proposed that the core area of the CLE consist of the following topics:
  - (a) **Evaluating the supervision policy.** The CLE would first assess the relevance and effectiveness of the supervision policy itself.
  - (b) **Assessing IFAD's performance in the implementation of the supervision policy.** The CLE would then address, in greater detail than what was possible in the present synthesis report, IFAD's performance in implementing the supervision policy for both loan-funded and grant-funded operations against the parameters set in the policy paper. Among other things, this would include a thorough analysis of the supervision guidelines.
  - (c) **Exploring the link between DSIS and IFAD's overall development effectiveness.** The CLE would also assess in greater detail, and through field visits, the consequences of DSIS on the partnership with borrowers and the

links between DSIS and all the elements of the country programmes (e.g. knowledge management, policy dialogue, partnership-building) that contribute to overall development effectiveness.

- (d) **Reviewing in depth the experience of other IFIs.** The CLE would deepen the IFI experience going beyond a review of recent evaluations of supervision activities by their independent evaluation units, including the preparation of an up-to-date matrix of their supervision processes.
93. In addition to this core area, and against the background of the findings on the topics already mentioned, the CLE may be requested to expand its scope in order to cover additional topics, such as:
- (a) **Assessing the adequacy of the PMD organizational structure.** The CLE could consider the organizational aspects (staffing and workloads) of the different regional divisions (including the use of country offices and the use of local, regional and international consultants), assessing appropriate cost structures for DSIS in countries with different capacities.
- (b) **Assessing the effectiveness of supporting the business processes required for DSIS.** Going beyond PMD, the CLE could review the work of supporting departments/divisions, the coordination between headquarters and country offices, and IFAD's overall institutional capacity to respond to its portfolio needs.
- (c) **Reviewing the institutional and individual accountability framework.** The CLE could review the implications of DSIS on the current rating systems, its consequences for the performance-based allocation system and the Performance Evaluation System, and issues related to attribution and conflict of interests. It could also clarify what IFAD and the borrower should be accountable for.
- (d) **Evaluating the implementation efficiency of the supervision policy.** In synergy with the ongoing CLE on IFAD's efficiency, the CLE could make a detailed analysis of DSIS activities in each regional portfolio (number and frequency of supervision missions, their length and composition, specific nature of follow-up missions, ad hoc problem-solving missions, etc.). The CLE could also look at how DSIS functions are carried out by country offices versus headquarters. This is an area where the CLE may also want to review the experience of other IFIs.
- (e) **Assessing the progress to become a learning organization.** The CLE could review current internal review processes and the capacity to systematically exchange experiences and lessons learned through DSIS, improve project design, enhance impact, and capture innovations and opportunities for scaling up.
94. Finally, it is important to highlight two enabling conditions for the successful completion of the CLE. First, it is crucial that the CLE be preceded by accurate data collection enabling the evaluation team to start out with an adequate data base. Data found for the present synthesis were extensive but not systematic, and in particular did not cover grant-funded activities. A decision is needed as to whether the analysis of actual costs should be done at the time of PMD's self-assessment, and/or by the CLE on efficiency and/or by the CLE on direct supervision. Second, it is essential to capture the views of all the main actors involved in DSIS, namely: IFAD staff at headquarters (including CPMs, programme assistants, regional programme offices, staff from CFS and from the Office of the General Counsel, technical advisers from the Policy and Technical Advisory Division); IFAD staff in country offices, including outposted CPMs; project management units and government staff; staff from implementing partners; and last, but not least, the consultants deployed by IFAD.

**Buthan - Village Development Fund Programme - Phase II**  
**An agricultural technician is weighing rice straw at demonstration field in project area in Wangdi.**

*©IFAD/Anwar Hossain*



## List of project and country programme evaluations reviewed

<i>Project evaluations reviewed between 2004 and 2010</i>	<i>Year published</i>	<i>Number of project evaluations reviewed</i>
Albania – Mountain Areas Development Programme	Nov. 08	1
Argentina – Proyecto de Desarrollo Rural de las Provincias del Noreste	Sept. 09	2
Belize – Community-initiated Agriculture and Resource Management Project	Jul. 08	3
Benin – Income Generating Activities Project	May 05	4
Benin – Roots and Tubers Development Programme	Dec. 10	5
Burkina Faso – Community-based Rural Development Project	Oct. 08	6
Burkina Faso – Special Programme for Soil and Water Conservation and Agroforestry in the Central Plateau	Jul. 04	7
China – West Guangxi Poverty-Alleviation Project	Sept. 10	8
China – Qinling Mountain Area Poverty-Alleviation Project	Feb. 10	9
Colombia – Rural Microenterprise Development Programme	Jun. 07	10
Ethiopia – Southern Region Cooperatives Development and Credit Programme	Nov. 08	11
Gambia, The – Rural Finance and Community Initiatives Project	Apr. 05	12
Georgia – Agricultural Development Project	March 07	13
Ghana – Upper West Agricultural Development Project	May 06	14
Ghana – Upper East Region Land Conservation and Smallholder Rehabilitation Project Phase II	May 06	15
Ghana – Root and Tuber Improvement Programme	Oct. 04	16
Guatemala – Rural Development Programme for Las Verapaces	Dec. 09	17
Guinea – Fouta Djallon Agricultural Rehabilitation and Local Development Programme	Dec. 05	18
India – North Eastern Region Community Resource Management Project for Upland Areas	Jul. 06	19
Jordan – Agricultural Resources Management Project	Oct. 04	20
Korea – Uplands Food Security Project	June 09	21
Lebanon – Smallholder Livestock Rehabilitation Project	Oct. 04	22
Madagascar – Upper Mandraré Basin Development Project, Phase II	Jun. 09	23
Mexico – Development Project of the Mayan Communities in the Yucatan Peninsula	May 06	24
Mongolia – Arhangai Rural Poverty Alleviation Project	Jun. 07	25
Mozambique – Niassa Agricultural Development Project	Jun. 07	26
Niger – Special Country Programme, Phase II	Nov. 07	27
Pakistan – Dir Area Support Project	Jul. 08	28
Paraguay – Peasant Development Fund Credit Project	Apr. 05	29

## Annex 1

<i>Project evaluations reviewed between 2004 and 2010</i>	<i>Year published</i>	<i>Number of project evaluations reviewed</i>
Peru – Development of the Puno-Cusco Corridor Project	May 07	30
Philippines – Western Mindanao Community Initiatives Project	Oct. 09	31
Philippines – Cordillera Highland Agricultural Resource Management Project	Jul. 07	32
Romania – Apuseni Development Project	Dec. 08	33
Tanzania – Participatory Irrigation Development Programme	May 07	34
Uganda – Uganda Vegetable Oil Development Project	Mar. 11	35
Uganda – District Development Support Programme	Jul. 05	36
Venezuela - Economic Development of Poor Rural Communities Project	Jul. 06	37
Yemen – Raymah Area Development Project	Dec. 10	38

<i>CPEs reviewed between 2004 and 2010</i>	<i>Year published</i>	<i>Number of CPEs reviewed</i>
Argentina	2010	1
Bangladesh	2006	2
Benin	2005	3
Bolivia	2005	4
Brazil	2008	5
Egypt	2005	6
Ethiopia	2009	7
India	2011	8
Mali	2007	9
Mexico	2006	10
Morocco	2008	11
Mozambique	2010	12
Niger	2011	13
Nigeria	2009	14
Pakistan	2008	15
Rwanda	2006	16
Sudan	2009	17

## IFAD direct supervision and implementation support: Background

1. **Evolution of the Direct Supervision Pilot Programme.** Improving the quality of project implementation and achieving better results on the ground have been an increasing priority for IFAD since the early 1990s. The emphasis on project implementation focused attention on the role and performance of the cooperating institutions in supervising IFAD-funded projects, as per the Fund's statutory requirements.<sup>1</sup> Thus, in 1996 the Executive Board requested a study of supervision issues in IFAD-funded projects in the form of a joint review with cooperating institutions. In summary, the agreed recommendations of the joint review report include: (i) that cooperating institution supervision should be systematically strengthened; and (ii) that an experimental direct project supervision programme should be undertaken by IFAD involving three IFAD-funded projects from each regional division. Accordingly, and as part of IFAD's five-year Plan of Action (1997-2001), IFAD Management launched the DSPP, which included 15 already initiated IFAD-funded projects.
2. **CLE on the supervision modalities.** Following the completion of the 1997-2001 Plan of Action and in response to the continuing concern about IFAD's project portfolio and its supervision, IOE conducted in 2004 a CLE on the supervision modalities. The evaluation found significant variations in the performance of the cooperating institutions in charge of supervision activities. The larger cooperating institutions, such as UNOPS and the World Bank, showed better supervision performance, as compared with the regional, smaller cooperating institutions. In addition, the evaluation highlighted the need to put more emphasis on implementation support, which it viewed as essential for ensuring that IFAD-funded projects achieved the expected development impact. At the time, when this evaluation was conducted, the DSPP had not yet reached the level of maturity required for drawing definitive conclusions on its performance. Nevertheless, many positive features were noted, including a higher visibility of IFAD at the country level, enhanced clarity of the respective roles of IFAD and cooperating institutions, faster responses to partner-country needs, and more frequent supervision missions.
3. **The Independent External Evaluation.** This evaluation, conducted in 2005, made the next important contribution to IFAD's evolution towards direct supervision. It advocated moving to a more hands-on approach, as well as releasing IFAD from the long-lasting restriction with regards to its involvement in project supervision.
4. **CLE of the DSPP.** In 2005, IOE conducted a CLE of the DSPP. The evaluation found that, in general, IFAD direct supervision contributes to better development effectiveness and allows greater attention to IFAD's broader objectives at the country programme level. It also noted that the average annual supervision cost per project under the DSPP was considerably higher than under comparable cooperating institution supervision.<sup>2</sup> The CLE recommended the development of a supervision and implementation support policy reflecting two main elements. First, IFAD should be allowed to decide, on a case-by-case basis, whether to subcontract a competent national, regional or international entity to perform the supervision of fiduciary aspects, or to perform this function internally. Second, whatever the arrangement for the supervision of fiduciary aspects, the evaluation reaffirmed the

<sup>1</sup> "The Fund shall entrust the administration of loans, for the purposes of the disbursement of the proceeds of the loan and the supervision of the implementation of the project of programme concerned, to competent international institutions" (Article 7, Section 2(g) of the Agreement Establishing IFAD).

<sup>2</sup> US\$93,300 versus US\$61,461, though costs for cooperating institution-supervised projects varied substantially, ranging from a low of US\$24,490 for the ADB to a high of US\$74,254 for the World Bank.

importance of implementation support and recommended that IFAD be responsible for providing direct implementation support to all its operations.

5. **IFAD Policy on Supervision and Implementation Support.** Following the completion of this evaluation, IFAD made two fundamental decisions that now govern the Fund's handling of the supervision and implementation support of the projects it finances: first, in February 2006, the Governing Council amended the Fund's Articles of Agreement, delegating the decisions on IFAD's supervision to the Executive Board;<sup>3</sup> second, this was followed in December 2006 by the Executive Board's approval of the supervision policy.<sup>4</sup> These decisions marked one of the most important events in the history of IFAD.
6. **The link to country presence.** Implementation of the supervision policy is closely linked to another important development: the establishment of an IFAD presence at the country level. Like the process followed in the reform of direct supervision, IFAD first agreed to test the idea of an IFAD country presence in 2003 with the Field Presence Pilot Programme. This effort was then the subject of a CLE in 2007.<sup>5</sup> Inter alia, the evaluation concluded that "the experimentation ... has... proven positive on the whole, particularly as far as implementation support activities are concerned".<sup>6</sup> In September 2011 the Executive Board approved the new policy for country presence. These two reforms have radically transformed the operating model of IFAD.
7. **2012 CLE on direct supervision and implementation support.** The three-year rolling work programme for IOE, approved by the Executive Board in December 2010, includes a CLE on DSIS for 2012. The present report provides a synthesis of the issues and the key questions for consideration by the forthcoming CLE.

---

<sup>3</sup> Resolution 143/XXIX of 2/16/2006 by IFAD Governing Council added the following preamble to Article 7, Section 2 (g) (see footnote 1 above) "*Except as the Executive Board (EB) shall otherwise decide,...*".

<sup>4</sup> EB 2006/89/R.4/Rev.1.

<sup>5</sup> IFAD's Field Presence Pilot Programme, corporate-level evaluation (July 2007).

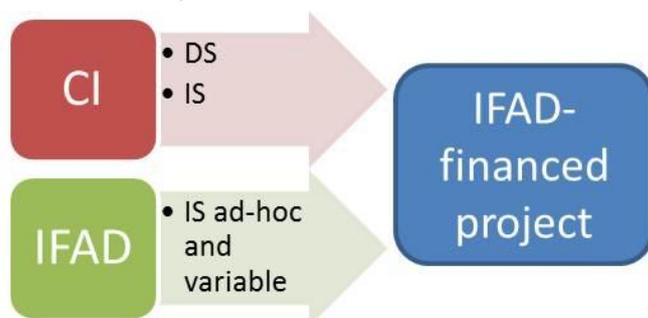
<sup>6</sup> Ibid, page xviii.

## Three models for supervising IFAD-financed projects

1. Common to all models are the two mutually supportive and operationally linked functions that were defined under the DSPP and the DSIS models: (i) direct supervision/fiduciary function (DS), a responsibility vis-à-vis IFAD's Members; and (ii) implementation support (IS), a responsibility of IFAD as a development agency, assisting borrowers, as needed, in achieving project effectiveness. The other commonality is that the COSOP is the instrument used by IFAD to determine the country-wide programme for supervision.
2. **The cooperating institution model.** This model, used exclusively until the start of the DSPP (1997), delegates to a cooperating institution full responsibility for supervision, i.e. for both supervision functions (see Figure 1). IFAD may choose to provide some IS having determined that a project needs specific assistance that the cooperating institution has not provided adequately. This assistance is ad hoc and uneven across IFAD, reflecting varying assessments at both the borrower's and IFAD's end.

Figure 1

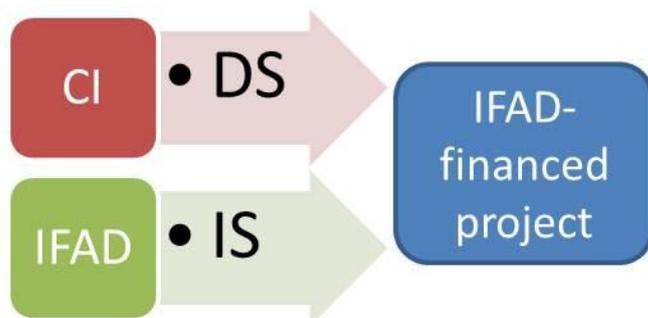
### The cooperating institution model



3. This model continues under the new supervision and implementation policy, but is limited to cofinanced projects. IFAD is still expected to provide IS if it deems such implementation assistance is needed in the light of the cooperating institution supervision. However, the closer interactions with the now very few cooperating institutions with a proven supervision performance offer the prospect of less IS by IFAD than was found necessary in the past.
4. **The DSPP model.** This model, which was abandoned when the DSPP ended, made IFAD responsible for the supervision of 15 projects included in the pilot programme. IFAD chose to delegate the fiduciary part of the supervision function to a cooperating institution (UNOPS) and retained the full IS function. The CLE on the DSPP drew attention to the favourable results obtained in the cases where field presence staff (subsequently evaluated under the CLE on the Field Presence Pilot Programme) helped IFAD in carrying out IS.

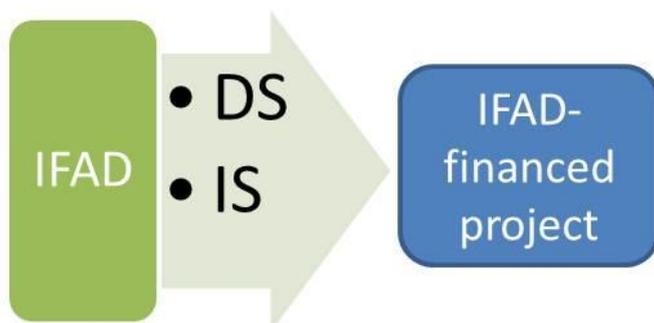
Figure 2

### The Direct Supervision Pilot Programme model



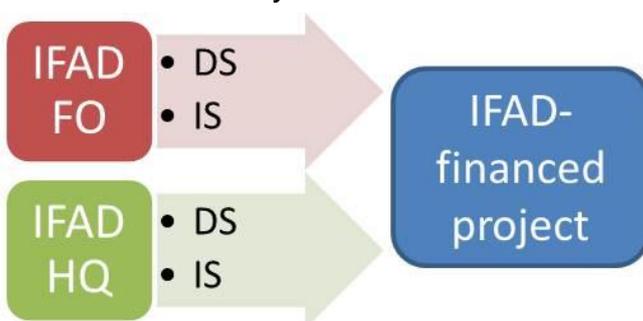
5. **The DSIS model.** IFAD takes responsibility for the entire project supervision, i.e. DS and IS. Thus IFAD is able to follow fully the progressive implementation of a project. At the same time, the interface between DS and IS is adequately secured as expected under the definition of DSIS ("two mutually supportive and operationally linked functions").
6. The COSOP addresses the overall supervision programme, while now the much fuller experience from the IFAD-led supervision is fed back into the follow-on COSOP. At the project level, the CPM prepares annual plans for supervision, including prospective missions, while the monitoring of procurement and of withdrawal applications continuously provides valuable indicators on the progress of project implementation. It is helpful to distinguish two modes of DSIS, one without a country office, and one with.
7. No country office. All DS and IS is handled by in-country visits for one project or, when found appropriate, for more projects. Modern means of communication help. But there necessarily remain interruptions in what is an optimal continuum of supervision given the infrequent periodicity of supervision missions originating from headquarters.

Figure 3  
DSIS model without country office



8. Country office. Given the wide range of situations in the size/capacity of country offices, their role in taking on responsibilities for DS and/or IS varies significantly. In particular, the delegation of supervision responsibilities takes on a different dimension when a CPM is in charge of a country office. But even for country offices without a CPM there are considerable variations in their roles in supervision. For instance, the large country office in India is able to cover both DS and IS functions while smaller country offices, such as the one in Ethiopia for instance, will support mainly IS. The principal issues to be addressed carefully in all country offices with DSIS functions are the appropriate level of responsibility delegated to the country office, the precise role of headquarters-led supervision missions and the integration of country office staff in these missions.

Figure 4  
DSIS model with country office



## List of people interviewed in Rome

<i>Name</i>	<i>Function</i>
Kevin Cleaver	Associate Vice-President, Programmes, PMD
Mohamed Béavogui	Director, West and Central Africa Division
Claus Reiner	Officer-in-Charge, East and Southern Africa Division
Nigel Brett	Officer-in-Charge, Asia and the Pacific Division
Abdelkarim Sma	Officer-in-Charge, Near East, North Africa and Europe Division
Josefina Stubbs	Director, Latin America and the Caribbean Division
Shantanu Mathur	Officer-in-Charge, Policy and Technical Advisory Division
Charalambos Constantinides	Director, CFS
Luciano Lavizzari	Director, IOE
Ashwani Muthoo	Deputy Director, IOE
Shyam Khadka	Senior Portfolio Manager, PMD
Willem Bettink	Programme and Change Officer, PMD
Perin Saint-Ange	Portfolio Adviser, West and Central Africa Division
Francisco David e Silva	Portfolio Adviser, Latin America and the Caribbean Division
Dina Nabeel	Portfolio Adviser, Near East, North Africa and Europe Division
Martin Raine	Supervision Consultant, West and Central Africa Division
Bob Creswell	Audit Officer, Office of Audit and Oversight
Mattia Prayer Galletti	CPM, Asia and the Pacific Division
Cristiana Sparacino	CPM, West and Central Africa Division
Fumiko Nakai	CPM, East and Southern Africa Division
Alessandro Marini	CPM, East and Southern Africa Division
Atsuko Toda	CPM, Asia and the Pacific Division
Omer Zafar	CPM, Near East, North Africa and Europe Division
Ambrosio Nsingui Barros	Consultant, West and Central Africa Division

## **Bibliography**

### **IFAD strategy and policy documents**

IFAD's Action Plan for Improving its Development Effectiveness, 2005

IFAD Policy on Supervision and Implementation Support, 2006

### **IFAD evaluations**

Annual Report on Results and Impact of IFAD Operations (ARRI), 2008-2010

Country programme evaluations, 2004-2010 (see list in annex 1)

Direct Supervision Pilot Programme CLE (DSPP), 2005

Field Presence Pilot Programme CLE, 2007

Independent External Evaluation, 2005

Project evaluations, 2004-2010 (see list in annex 1)

Supervision Modalities in IFAD Supported Projects CLE, 2004

### **Other**

AUO (2009), Direct supervision. Part 1: Procurement.

AUO (2009), Direct supervision. Part 2: Disbursement.

AUO (2010), Direct supervision. Part 3: Supervision and Implementation Support.

Country strategic opportunities programmes (COSOPs), 2008-2010

Funded from IFAD Loans and Grants, 2007

Guidelines: Supervision and Implementation Support of Projects and Programmes PMD, (Regional) Annual Portfolio Reviews, 2006-2010

Loan Disbursement Handbook, 2010

Procurement Handbook, 2010

Progress Report and Activity Plan for IFAD's Country Presence, 2010

Report on IFAD's Development Effectiveness (RIDE), 2008-2010

Supervision Report Guidance Notes, 2008

### **Other international financial institutions**

African Development Bank Group. Operations Evaluation Department (OPEV). Project Supervision at the African Development Bank, An Independent Evaluation, Final Report February 2010

Asian Development Bank. Independent Evaluation Department (IED). 2010 Annual Evaluation Review (2010). 2009 Annual Evaluation Review: Role and Direction of Self-Evaluation Practices. Special Evaluation Study Update: Midterm Review Process (2008). Evaluation Study on the Project Performance and the Project Cycle (2008)

Inter-American Development Bank. Office of Evaluation and Oversight (OVE). The Project Supervision System: an Evaluation of Use of its Instruments. Washington, D.C., March 2004

## Lessons on supervision experience from other international financial institutions

1. The review on the recent supervision experiences of other IFIs has been limited to reports prepared by the independent evaluation offices of AfDB,<sup>1</sup> ADB, IDB<sup>2</sup> and the World Bank.<sup>3</sup> Another report, prepared jointly by the evaluation offices of AfDB and IFAD,<sup>4</sup> covered supervision among other issues. The review was supplemented by interviews with evaluation office and operational staff at IDB and the World Bank. The reports varied in terms of objectives and scope: reports from the two regional IFIs addressed systemic issues related to their supervision. The reports from the World Bank focused on its experience in the agriculture sector worldwide and in sub-Saharan Africa. In addition, the review at IDB covered its new publication on development effectiveness,<sup>5</sup> which follows up on some concepts developed by the prior IDB evaluation report on the project supervision system. All reviewed reports were prepared in response to evaluation needs that were specific to these IFIs. Accordingly they were found to be of varying interest for IFAD.

### A. African Development Bank

2. Most of the generally strong criticisms on its supervision system and its performance that is contained in the AfDB evaluation report is institution-specific and would not apply to the situation faced by IFAD. However, the following points appear to merit attention by the Fund:
  - (i) An efficient and effective results-based supervision system must be risk-based, giving proper attention to internal (those that are under the direct control of the project teams, where they can take corrective action) and external risks over which managers of projects and programmes have no direct influence but against which they can mitigate; and
  - (ii) With supervision gradually shifting from a centralized system to field-based arrangements, there is a need to integrate supervision instruments and activities more fully, and to monitor closely the resources expended on supervision on a full-cost accounting basis.

### B. Asian Development Bank

3. The Independent Evaluation Department of ADB has undertaken a number of evaluations that address supervision issues to varying degrees. These include the: (i) 2010 Annual Evaluation Review; (ii) 2009 Annual Evaluation Review: Role and Direction of Self-Evaluation Practices; (iii) Special Evaluation Study Update: Midterm Review Process (2008); and (iv) Special Evaluation Study on the Project Performance and the Project Cycle (2008). The first and last of these evaluations provide the most useful insights for IFAD.

<sup>1</sup> African Development Bank Group. Operations Evaluation Department (OPEV). *Project Supervision at the African Development Bank, An Independent Evaluation* (Final Report February 2010).

<sup>2</sup> *The Project Supervision System: an Evaluation of Use of its Instruments*. Office of Evaluation and Oversight, OVE, Inter-American Development Bank, Washington, D.C. (March 2004).

<sup>3</sup> *Evaluative Lessons from World Bank Group Experience: Growth and Productivity in Agriculture and Agribusiness*. IEG World Bank, IFC, MIGA. The World Bank Group, Washington, D.C., (2011) and *World Bank Assistance to Agriculture in Sub-Saharan Africa: An IEG Review*. The World Bank, Washington, D.C., (2007).

<sup>4</sup> *An Evaluation of Business Processes and their Impact on Results. A Joint Evaluation of the African Development Bank and IFAD Operations in Agriculture and Rural Development in Africa* (17 April 2009).

<sup>5</sup> *Development Effectiveness Overview, 2008-2009*, Inter-American Development Bank, Washington, D.C. (2010), and *Development Effectiveness Overview* (2010), Inter-American Development Bank, Washington, D.C. (2011).

4. **2010 Annual Evaluation Review.** This report highlights the shift in thinking about supervision from a separate activity focused on outputs to an activity that is well integrated into project management and focused on improving development effectiveness and learning. This coincides with the move towards results-based management and the need to have much timelier access to information. The report goes on to link supervision to real-time evaluation and the role of mid-term reviews for generating this type of information.
5. Real-time evaluation, which is also known as formative evaluation, is carried out routinely by most development agencies in various forms to assess the progress and impact of their interventions. The focus of real-time evaluation should be on learning. The main point of real-time evaluation is to provide feedback on project performance and identify design weaknesses so that project managers and decision makers can make mid-course adjustments. It is a dynamic learning tool to “assess and adjust” the ongoing operations, thereby reinforcing the link between operations, evaluation, and policy formulation. Many agencies find it a potentially useful tool to improve project quality because it (i) identifies and solves operational problems during project implementation, (ii) improves the quality of the assistance programme by promoting learning, (iii) provides an objective assessment of results, and (iv) improves monitoring and helps provide baseline data to improve the quality of future evaluations.
6. ADB’s focus on results-based management will necessitate strengthening the real-time evaluation of operations. Real-time (or nearly real-time) feedback loops are integral to results management and play a key role in supporting results-oriented decision-making. Recent evaluations pointed to the need to improve the quality and depth of project oversight by ADB. The evaluations also pointed out that carrying out in-depth mid-term project reviews can help improve the chances of project success.
7. **In-depth mid-term reviews improve project performance.** A 2008 evaluation found that mid-term reviews improve the probability of a project’s success in achieving its outputs and outcomes by solving a wide gamut of project design and implementation problems. Though ADB regularly conducts mid-term reviews of projects, such reviews focus on project inputs and improving project implementation, and often do not assess the likelihood of a project’s achieving its expected outcomes, as intended in staff instructions. Only 2 of the 20 projects sampled in the evaluation study analysed progress in achieving outputs and outcomes based on the design and monitoring framework.
8. **2008 Special study on project performance and the project cycle.** This study looked at the project cycle following the sequence of events from the formulation of a country partnership strategy to the ultimate completion and evaluation of an approved project or programme. As such, a key part of the study was project implementation and supervision.
9. A major finding of this study is the importance of close ADB supervision and strong project management by executing agencies for project success. Another finding is that project implementation supervision is not given sufficient attention, particularly compared with the emphasis on project preparation. It recognizes that adequate supervision of ADB projects during the project implementation phase is very important in influencing ultimate project success. It is during this phase that all of the accumulated shortcomings in project design are manifested and are further accentuated by a number of other factors generic to this phase of the project cycle. Despite this, the number of professional staff days devoted to implementation review missions dropped by 36 per cent between 1998 and 2005. This drop may be

compensated to some extent by the implementation functions undertaken by national staff in resident missions for delegated projects, which account for about a third of all active projects. Nevertheless, implementation delays have not reduced over the years.

10. As such, the study recommends that the current resource allocation for project implementation supervision should be re-examined for adequacy. Start-up delay, which is a common feature for most projects, should receive special attention, and adequate resources should be made available including thorough flexible use of technical assistance and loan funds and/or greater internal human resource allocation.
11. It is also interesting that a poor choice of modality was also cited as a reason for the poor performance of programme loans, which aim to achieve policy or institutional changes requiring time and consensus, since this could often not be achieved within the normally short programme loan implementation period. Such interventions may have been better designed as sector development programmes implemented over a longer time frame.

### **C. Inter-American Development Bank**

12. IDB's lessons, like AfDB's, emphasize the need for a sharper focus on the risks during supervision. However, more importantly, IFAD may find the broader results from a 2004 evaluation carried out by IDB's Office of Evaluation and Oversight (OVE) of interest. The OVE report gives an exceptionally thorough and meticulous evaluation of the bank's supervision system,<sup>6</sup> detailing a range of shortcomings (e.g. lack of consistency in missions between projects, or project completion reports not submitted for many projects).
13. For OVE, the objective of supervision is to ensure that management is fully knowledgeable of the risks involved in IDB's operations. There is a danger that bureaucratic procedures and instruments, if not used properly, may create a sense of certainty about the performance of the institution. OVE distinguishes three levels of risks for the institution in achieving its goals: (i) development effectiveness risks; (ii) operational risks (depending on the ability of clients to implement agreed operations); and (iii) fiduciary risks (procurement, financial, environmental, social etc.). Risks should be viewed as an integrated whole, meaning that supervision begins when a project is conceived. At that moment, risks of a project need to be identified in order to mitigate them, if they cannot be eliminated. Thus, supervision should start much earlier than traditionally assumed: indeed, supervision begins with determining whether a project can be carried out at all. Supervision has therefore developed into a much broader concept than is traditionally the case in IFIs.
14. IDB has since introduced major changes to overcome, inter alia, the weaknesses identified in the OVE report. It prepared a development effectiveness framework,<sup>7</sup> under which results-based programming is followed by the preparation, approval and implementation of development projects. Project performance is tracked from design to completion. In a first step, management has to rate operations for their ex-post evaluability.<sup>8</sup> For each project, a development effectiveness matrix is now required, elaborated

<sup>6</sup> The IDB-specific organization, where supervision is carried out entirely from the offices located in each borrowing country while responsibilities from project identification to Board approval are with headquarters staff, are reminiscent to some extent of the IFAD situation before the supervision policy (with the locus of supervision being in cooperating institutions).

<sup>7</sup> IDB has a helpful introductory website for its development effectiveness system: <http://www.iadb.org/en/topics/development-effectiveness/development-effectiveness,1222.html>.

<sup>8</sup> Evaluability is estimated for different dimensions, using a rating scale of 1-10.

between IDB and all partners involved/affected. This is to ensure that at project completion IDB and its partners in the country can measure project results against what they jointly elaborated and agreed to. The development effectiveness matrix starts when project design begins. A project results matrix provides quantitative and qualitative information about project progress on the delivery of outputs in the short term and outcomes in the long term. A new project monitoring report – corresponding to the traditional project status report in most IFIs – was launched as one of the development effectiveness framework’s results-based tools. It monitors (not supervises) implementation of the project results matrix, comparing planned with actual time and planned and actual cost for the delivery of outputs twice a year. Delays are identified early on during project implementation as well as the implications for achieving project outcomes. Based on the project’s planned and actual data, the project monitoring report system uses the earned value method to calculate a performance index, which measures the relationship between physical output and the real cost of delivery. The performance index provides quantitative information, which is cumulative for each project and allows for comparable data at portfolio level. Given the new concepts introduced in the new methodology affecting the entire project cycle, IDB had to put considerable resources into training and support from the centre. As part of the new development effectiveness framework, IDB has given much greater attention to project completion reports, the management’s self-evaluation document reporting on the completion of IDB’s projects and programmes. IDB follows the Evaluation Coordination Group’s good practice standards, with management producing the self-evaluation report at project completion that is validated by OVE.

15. The foregoing suggests that these developments at IDB may be of interest to IFAD, especially the introduction of ex-post evaluability, a concept that goes beyond the DSIS function.

#### **D. World Bank<sup>9</sup>**

16. Until recently, the World Bank had two avenues to carry out M&E of its operations during implementation. The first avenue was conventional project and portfolio reviews to monitor and evaluate projects, programmes, and strategies. Recent procedural changes indicate that the World Bank is placing more emphasis on evaluative aspects of project supervision. A move towards results-based management of projects and programmes has triggered the shift. The second avenue was the quality assurance group, which assessed the quality of project preparation, supervision, and analytical work in a more rigorous evaluative framework and reports to World Bank management. The quality assurance group has been closed.
17. **Project supervision.** The World Bank’s old operational directives, while recognizing that interim evaluations could be carried out during implementation, did not necessarily encourage them. The old directives stated, “Supplementary data collection and special studies required for interim evaluations should be kept as simple as possible, and planned to minimize interference with regular project operations.”<sup>10</sup> Monitoring and evaluation were considered separate activities, and evaluation was expected to be carried out at the completion of the project.<sup>11</sup> This has evidently changed in

<sup>9</sup> Paragraphs 16 to 19 are taken from the Asian Development Bank, *2010 Annual Evaluation Review*.

<sup>10</sup> World Bank. 1989. *Operational Directive: Project Monitoring and Evaluation*. Operational Directive (OD) 10.70. Washington, D.C.

<sup>11</sup> World Bank. 2006. *2006 Annual Report on Operations Evaluation*. Independent Evaluation Group. Washington, D.C., P.51.

recent years as the World Bank has moved towards results-based management of its programmes and projects.

18. New staff instructions for project administration state that "project supervision covers monitoring, evaluative review, reporting, and technical assistance activities to: (a) ascertain whether the borrower is carrying out the project with due diligence to achieve its development objectives in conformity with the legal agreements; (b) identify problems promptly as they arise during implementation and recommend to the borrower ways to resolve them; (c) recommend changes in project concept or design, as appropriate, as the project evolves or circumstances change; (d) identify the key risks to project sustainability and recommend appropriate risk management strategies and actions to the borrower; and (e) prepare the World Bank's Implementation Completion Report to account for the use of Bank resources, and to draw lessons to improve the design of future projects, sector and country strategies, and policies."<sup>12</sup> The new project implementation instructions (b) to (d) above, which require action during project implementation, are akin to real-time evaluation. This amounts to progress towards real-time self-evaluation of ongoing projects.
19. **Quality assurance group.** In 1996, the World Bank created the quality assurance group in response to evaluation findings that one third of its projects are not likely to achieve their intended objectives. The quality assurance group was set up under the managing director of operations to help improve the quality of World Bank operations by assessing the quality-at-entry of lending products, the quality of supervision, and the quality of analytical and advisory activities. Its purpose was to promote operational excellence through better accountability, and enhance learning by (i) providing real-time feedback to staff and management on operational effectiveness; (ii) finding out systemic problems impinging on efficiency; (iii) informing changes in policies, procedures and programmes; and (iv) using lessons learned to support training. The quality assurance group was closed after it had achieved its intended objectives. Its functions now largely fall under the umbrella of self-evaluation, or have been assigned to the Operations Policy and Country Services Department, which provides advice and support to the president and managing directors.
20. Additional lessons from the World Bank are of a different nature. No evaluation of the World Bank's supervision system has been reported. However, the Bank's Independent Evaluation Group in recent years has prepared two reports on agriculture that are of potential interest to IFAD in the present context: (i) one on the World Bank Group<sup>13</sup> worldwide experience in agriculture and agribusiness, published early this year; and (ii) one on World Bank experience in agriculture in sub-Saharan Africa, published in 2007. Both reports contain only small sections on the Bank's supervision. The main finding in the two reports relates to the World Bank's declining capacity to assist borrowers in the agriculture and rural development areas, from project design to supervision. They conclude that there has been a substantial, if not major, decline in the technical capacity in agriculture in the Bank. The 2011 study, again, concludes that the decline in technical skill was most pronounced in sub-Saharan Africa, and is of major concern since its

<sup>12</sup> World Bank. 2001. *Operational Policies: Project Supervision*. Operational Policies (OP) 13.05. Washington, D.C., paragraph 2.

<sup>13</sup> Evaluation carried out by the World Bank together with the International Finance Corporation and the Multilateral Investment Guarantee Agency.

analysis shows that staff skills are likely to affect project design and outcome.<sup>14</sup>

21. The reasons behind the decline in technical capacity were given as follows:
  - (i) The 2007 sub-Saharan Africa study attributes this decline to two major reorganizations in the Bank in 1987 and 1997;
  - (ii) The decline in overall staffing in agriculture and rural development units was associated with a major shift between generalists and technical specialists, the latter having had the most significant losses (according to the 2007 sub-Saharan Africa evaluation); and
  - (iii) In addition, discussions with World Bank staff suggested that the decentralization of agriculture staff into the World Bank's country offices meant that demand for sector-wide generalists was larger than for specialized technical staff. The upshot of the decentralization was thus that knowledge/experience, which in the past "travelled" across countries (and across regional offices), was now largely circumscribed to one country, and locally recruited agriculture staff benefited only rarely from obtaining experience by working in other countries.
22. A potential lesson for IFAD may emerge from the last point: in cases of moving staff from headquarters to country offices, it is important that technical staff so far used across countries do not become narrowly circumscribed to one country. It is also recognized that this is not likely to become a major issue at IFAD as long as staff in country offices are recruited locally.

---

<sup>14</sup> "Quality assurance group data, for example, indicate that projects rated unsatisfactory on supervision-staff skill mix were less likely to have satisfactory outcome ratings than other projects", *ibid.*, 2011, page 70.





Enabling poor rural people  
to overcome poverty

**International Fund for  
Agricultural Development**

Via Paolo di Dono, 44  
00142 Rome, Italy  
Tel: +39 06 54591  
Fax: +39 06 5043463  
E-mail: [evaluation@ifad.org](mailto:evaluation@ifad.org)  
[www.ifad.org/evaluation](http://www.ifad.org/evaluation)



Printed at  
IFAD Printshop