

Document: EB 2010/101/R.47  
Agenda: 20  
Date: 23 November 2010  
Distribution: Public  
Original: English

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Enabling poor rural people  
to overcome poverty

## **Annual Report on Quality Assurance in IFAD-funded Projects and Programmes**

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Executive Board — 101<sup>st</sup> Session  
Rome, 14-16 December 2010

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**For: Information**

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## Abbreviations and acronyms

COSOP	country strategic opportunities programme
CPM	country programme manager
IFI	international financial institution
IOE	IFAD Office of Evaluation
PDR	project design report
PMD	Programme Management Department
PMU	project management unit
PTA	Policy and Technical Advisory Division
QA	quality assurance
QE	quality enhancement
RMF	Results Measurement Framework

## Executive summary

1. This report, IFAD's third annual report on quality assurance (QA), represents a modest milestone for the institution. Since the QA process began in 2008, nearly 100 projects in 74 countries have been evaluated by external reviewers.
2. During this short QA "take-off" period, progress has been made in improving the quality of IFAD's project design. In 2010, and for the first time since the process began, all proposed projects were cleared for submission to the Executive Board. Moreover, this year external reviewers rated 86 per cent of IFAD's projects likely to achieve their development objectives – an increase from 79 per cent in 2008 and 2009.
3. At the corporate level, more progress has been made. Partially in response to findings from QA reviewers, the Programme Management Department (PMD) has redesigned its guidelines in order to develop more meaningful logical framework indicators; similar efforts in other areas (project documentation, governance and anticorruption frameworks) are planned or currently under way. Moreover, the effectiveness of the quality enhancement process has been consistently increasing, and the Fund's two quality secretariats are deepening their collaboration on knowledge management.
4. Despite these achievements, the context in which IFAD operates is now changing. As its programme of work expands, the Fund is beginning to occupy a different segment of the development arena – moving from smaller, more targeted projects to larger and more encompassing ones. Given this unfolding new reality – evidenced most clearly by the increasing size, scope and absolute number of projects delivered – QA reviewers are voicing new areas of concern. These include:
  - Are some of IFAD's core targets feasible? Can larger IFAD-funded projects sustainably achieve objectives that were once considered reasonable when projects were small in scale? Should the Fund continue to measure the quality of the projects it funds against a set of indicators that were designed to evaluate smaller, more targeted operations?
  - What can IFAD do to overcome the growing problem of "complexity" (projects that are too demanding in relation to a country's implementation capacity)? Shortcomings in design or implementation capacity can be mitigated, but when both issues are present concurrently, they can lead to project failure.<sup>1</sup>
  - As project size and complexity increase, will IFAD's supervisory capacity grow proportionately? Insufficient supervision of implementation will leave the Fund with few tools for identifying and intervening in problem projects.
  - How will IFAD manage its expanding relationships and implementation arrangements with other cofinancing partners? In 2010, projects cofinanced with other international financial institutions represented 44 per cent of all projects – up 26 per cent from 2009.
5. In 2011, the QA process will surely contend with these questions, all of which centre on examining the tension between the quality and quantity of IFAD-funded operations. Results in 2010 suggest that some quality indicators can be sustained and even improved as the programme of work expands; individual areas of weakness – such as project sustainability, innovation and scaling up – however, must be better understood and remedied.

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<sup>1</sup> Complexity is the number one cause of failure for World Bank projects as reported in the draft World Bank Quality Assessment of Lending Portfolio, October 2010.

# Annual Report on Quality Assurance in IFAD-funded Projects and Programmes

## I. Overview

1. This third Annual Report on Quality Assurance in IFAD-funded Projects and Programmes is divided into three sections. Section I provides an overview of the quality assurance (QA) process. Overall results from the QA review of 36 operations in 2010 and ratings based on the use of Results Measurement Framework (RMF) indicators are presented in section II. Section III identifies a range of design issues emerging from the three-year experience of QA reviews that deserve further attention in 2011.
2. The QA function and process took effect as of 2 January 2008. Nine QA review sessions and a number of interim reviews have taken place to date, during which 98 projects have been reviewed. The established QA process entails the review of project design by the Office of the President and Vice-President (OPV) as a final step before loan negotiations and submission to the Executive Board.<sup>1</sup> The QA review process has three main objectives, which will be discussed in greater detail in section II:
  - (a) Clearing designed projects for loan negotiations and submission to the Executive Board, with special emphasis on the appropriateness of project design vis-à-vis IFAD's policies and guidelines;
  - (b) Determining the rating for results indicators under IFAD's corporate RMF at entry; and
  - (c) Assessing the quality enhancement (QE) process.
3. In addition, the QA review recommends measures that could help enhance the likelihood of achieving the projects' development objectives.
4. QA reviews take place three times a year (February, June and October), with each review spanning approximately two weeks (see annex I). QA sessions are chaired by the Vice-President, unless circumstances require an alternate arrangement. In 2010, given the Vice-President's arrival in February, the first QA session was chaired by the President with the Vice-President participating as an observer.
5. In 2010, a total of 14 external reviewers participated in the process (see annex II, table 2). All external reviewers were formerly senior managers in various international development institutions and generally have between 20 and 40 years of experience designing and implementing projects in developing countries. Apart from their project and subsector expertise, reviewers have been recruited on the basis of their extensive experience working in specific host countries and their language abilities, as many project documents are in French and Spanish as well as in English. To ensure continued diversity, in 2011 the QA secretariat will further strengthen its pool of qualified reviewers by identifying and retaining qualified professionals from all regions and relevant professional backgrounds. In 2010, women reviewers and reviewers from developing countries represented 21 per cent and 36 per cent of the total respectively.

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<sup>1</sup> IFAD's Quality Assurance – Guidelines for QA function and process, December 2007.

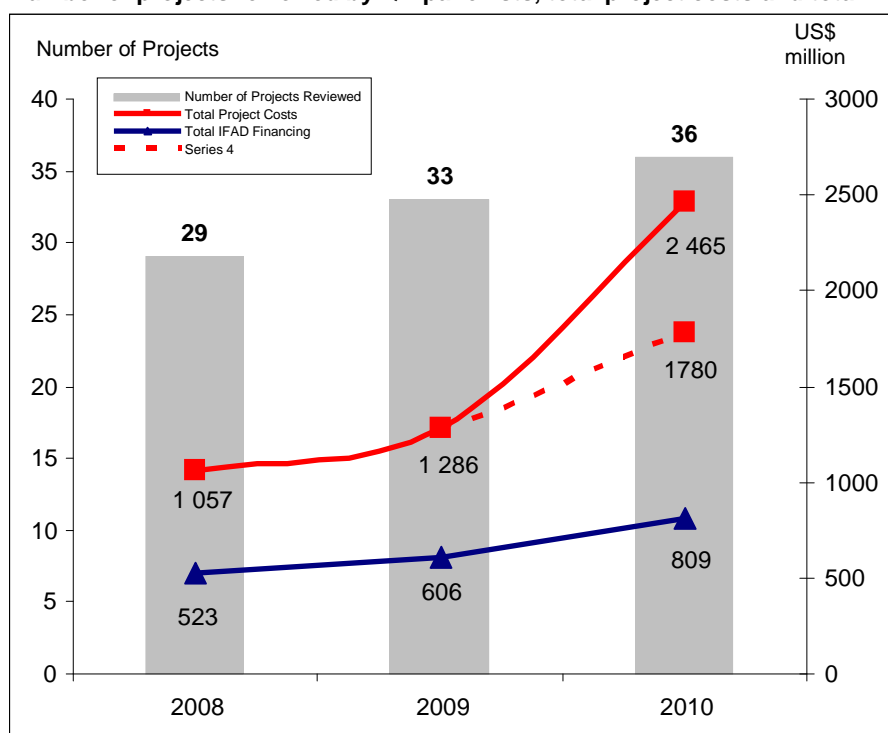
## II. Overall quality assurance results in 2010

### Overview

6. A total of 36 projects (see annex II, table 1 for details) were submitted to three separate QA sessions this year.<sup>2</sup> In addition to three QA reviews held on a “rolling” basis, 7 projects were reviewed in the February session, 6 in the June session and 20 during the October session. Of the 36 projects, 16 (or 44 per cent of the total) were cofinanced with another international financial institution (IFI) acting as a primary or lead financier. Compared with last year’s figures, this represents a 26 per cent increase in the number of IFI-cofinanced projects submitted to QA for review.
7. The context for this substantial increase in cofinancing is displayed in figure 1, which illustrates the growing number of projects and associated financing the Fund is producing annually. While this year’s QA results did not indicate an overall loss of quality due to increased cofinancing arrangements, this topic will be examined in greater detail in 2011, once a trend is more firmly established and more data are available for analysis.

Figure 1

Number of projects reviewed by QA panellists, total project costs and total IFAD financing



Note: In 2010, one project had a total project cost of US\$685 million. When this project is removed from the dataset, IFAD’s total financing decreases by US\$14 million (too small a decline to be depicted in the graph) and total project costs for the year are reduced to US\$1,780 million (as depicted by a dotted line).

8. A summary of the outcomes of the QA reviews in 2010 compared with those of the previous years is provided in table 1. The cumulative results during the past three years point to successive substantive improvements in the quality of project design and indicate that, by and large, the QE/QA processes continue to have the desired effect on project quality. Key developments in 2010 included:
- For the first time since the QA function and process was established in 2008, all projects were cleared for presentation to the Executive Board without major delay.

<sup>2</sup> In addition to these projects, one interim project was reviewed by QA in November 2009. This project – the Commodity Value-Chain Development Support Project in Cameroon – was not reported in 2009 because the review occurred after the 2009 Annual Report on Quality Assurance was submitted to the Executive Board. Consequently, all 2009 data in the report have been restated to include this additional project.

- Project designs that did not satisfactorily incorporate changes recommended by the QE panel were consistently flagged for improvement by QA reviewers.
- A knowledge management “feedback loop” between the QE/QA processes began to become institutionalized in 2010. Building on a half-day QA/QE dialogue in September 2009, an in-depth joint QE/QA workshop was held in January 2010 to share findings across both functions. QA reviewers participated in a QE review for a project in Kenya, and technical advisors participated in a QA review for a project in Bangladesh. Other such knowledge management events will be developed in 2011 to consider, among other topics, IFAD’s policies in specific subsectors (such as rural finance).

Table 1  
QA review result – 2008-2010

<i>Final project categories</i>	<i>Percentage of cohort</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Project judged ready to proceed with minor changes	30	30	42
Projects judged ready to proceed subject to additional assurances during loan negotiations and/or further modifications/reviews during implementation	60	67	58
Projects requiring substantive changes entailing delay in presentation to the Executive Board	10	0	0
Projects dropped from the lending programme because of inappropriate design	0	3	0

9. These improvements are reflected in an increase in the number of projects that were cleared for presentation to the Executive Board with minor changes – 12 per cent more than in the two previous years. The number of projects reviewed that required additional measures to be taken to ensure satisfactory quality at entry was reduced by 9 per cent. In these cases, QA reviewers identified design weaknesses and recommended various approaches for addressing and mitigating these shortcomings.
10. The need for such modifications to many project designs underscores the point that close collaboration between the QA and QE processes must be sustained over the long term. This year, QA reviewers often noted that the QE review recommendations were very good but had not been followed up appropriately during appraisal and in the final document. High project quality is dependent on the broad dissemination and implementation of lessons learned at all stages of project design.

### **Development outcomes**

11. Ex ante assessments of whether projects are likely to achieve their stated development objectives make it possible to channel additional attention and resources to projects found to be especially risky. To this end, in addition to the QA review’s focus on the quality of design, reviewers also provided their best assessment of the likelihood that a project will meet its development objectives.<sup>3</sup>
12. Based on the reviewers’ expectations, 80 of the 98 projects reviewed since 2008 are likely to achieve their development objectives, resulting in an overall 82 per cent satisfactory outcome. These ex ante ratings are similar to the IFAD Office of Evaluation’s (IOE) 2002-2008<sup>4</sup> ex post findings of 82 per cent effectiveness (defined by IOE as having achieved the specific objectives of the project).<sup>5</sup> This

<sup>3</sup> Using a similar approach for predicting outcomes during quality-at-entry assessments, the World Bank’s Quality Assurance Group compared predictions with the World Bank’s Independent Evaluation Group’s exit assessments and found the panellists to be correct in about 90 per cent of the cases.

<sup>4</sup> Effectiveness evaluation by IOE is the closest indicator available to compare with development outcome ratings used here and by the World Bank’s Independent Evaluation Group. It is worth noting, however, that while the QA ratings are based strictly on development outcomes, the ratings of the Annual Report on Results and Impact of IFAD Operations (ARRI) take other factors into account, and this may explain the convergence of the ex ante and ex post ratings.

<sup>5</sup> Derived from document EC 2009/59/W.P.2, Annual Report on Results and Impact of IFAD Operations Evaluated in 2008.

pattern of convergence will be re-examined following IOE's release of its 2009 project effectiveness ratings in late 2010. It is worth noting that, unlike IOE results, which are based on a small preselected sample of projects, the QA results encompass 100 per cent of all projects presented to the Executive Board.

13. In the 2010 QA exercise, external reviewers judged that 86 per cent of all projects were likely to achieve their development objectives, compared with 79 per cent in 2008 and 2009. Although still too early to establish a longer-term trend, these results demonstrate IFAD's ability to improve the likely outcomes of the operations it funds while simultaneously increasing the volume and absolute number of projects generated in a single year.

#### Quality-at-entry ratings

14. As part of the QA process, reviewers assess each project with the aid of four RMF indicators and their subcomponents. While IFAD has traditionally reported on the four indicators in the QA annual report, in 2010 one sub-indicator – RMF 2D "gender equality and target population" – was also incorporated into the reporting system, in response to the Fund's commitment to act as a "torch carrier" for the achievement of commitments under the third Millennium Development Goal.

Table 2

#### Average quality-at-entry ratings and percentage of projects with satisfactory or better overall ratings

RMF indicators	Description	Average rating			Satisfactory or better ratings <sup>a</sup> (percentage)		
		2008	2009	2010	2008	2009	2010
RMF 1	Effectiveness of thematic areas	4.5	4.6	4.6	87	94	97
RMF 2	Projected impact on poverty measures	4.6	4.6	4.7	87	88	97
RMF 2D	Gender equality and target population	4.6	4.5	4.7	82	85	92
RMF 3	Innovation, learning and scaling up	4.4	4.2	4.1	83	79	78
RMF 4	Sustainability of benefits	4.4	4.4	4.3	80	85	72
<b>Overall quality-at-entry rating</b>		<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>80</b>	<b>85</b>	<b>75</b>

<sup>a</sup> Quality-at-entry ratings are based on a scale of 1-6, where 1 is highly unsatisfactory and 6 is highly satisfactory. The percentage indicates the number of projects receiving a rating of 4 or better out of the total number of projects.

15. The average RMF ratings for 2008-2010, which are presented in table 2, show relatively little change since the QA process's inception, with the exception of RMF 3, the indicator related to innovation, learning and scaling up. The average rating in this category has experienced a steady, if modest, decline over the last three review periods, attributable largely to: (i) repeater operations that have sound design but are not necessarily suitable for innovation; (ii) far better understanding/definition of scaling up; and (iii) considerable emphasis on learning that has not been as yet fully translated into specific measures in project design.
16. In 2010, the percentage of projects that received satisfactory or better ratings varied greatly by category. For the sustainability of benefits indicator (RMF 4), 28 per cent of projects were deemed unsatisfactory for a variety of reasons that relate to the design of project subcomponents and the implementation capacity of the specific local operating environment. On the other hand, the percentage of favourable projects in the RMF categories 1, 2, and 2D increased to over 90 per cent.
17. Table 3 lists overall quality-at-entry ratings broken down by region, and annex III displays this data in greater detail. Given the relatively small number of total projects developed by each division per year, results along regional lines are not statistically robust and the results here must be interpreted with care.

Table 3  
**Average quality-at-entry ratings and percentage of projects with satisfactory or better overall ratings by region, 2010**

Division	Overall (average) rating			Satisfactory or better overall ratings (percentage)		
	2008	2009	2010	2008	2009	2010
APR	4.0	4.1	4.3	57	70	75
ESA	4.7	4.8	4.7	100	100	100
WCA	4.7	4.6	4.3	88	89	60
LAC	4.0	5.1	4.8	80	100	75
NEN	4.2	4.1	4.2	75	83	71

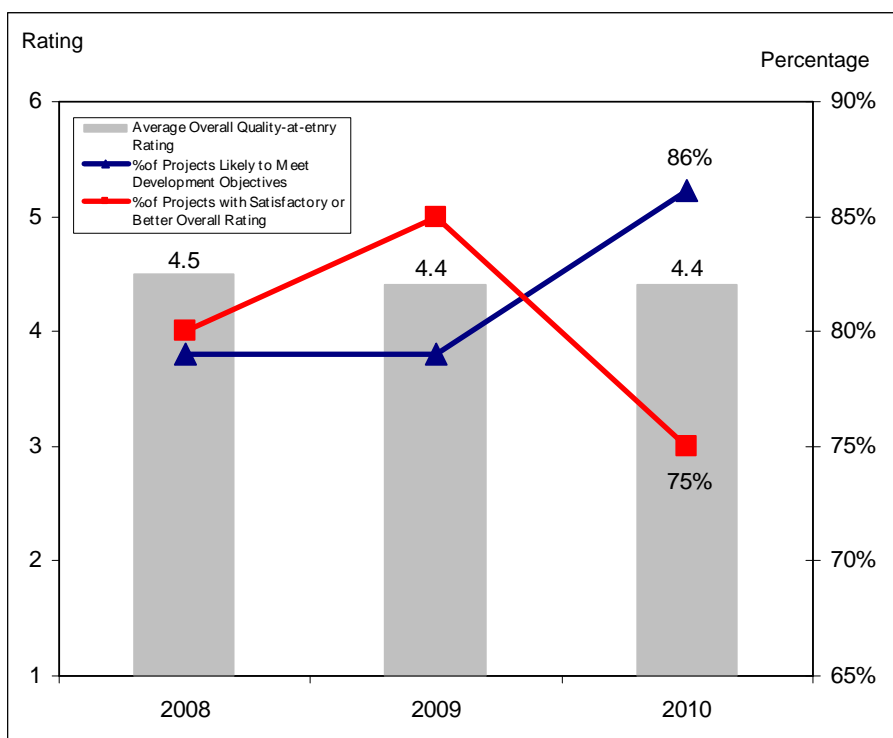
Note: APR = Asia and the Pacific Division; ESA = East and Southern Africa Division; WCA = West and Central Africa Division; LAC = Latin American and the Caribbean Division; NEN = Near East and North Africa Division

18. Although these indicators give insight into project compliance with IFAD's strategic objectives, it is difficult to make general statements about their utility in providing an indication of expected development outcomes and sustainability. This weakness can be seen in figure 2, where, in the context of stable average overall ratings, 86 per cent of projects were judged likely to achieve development outcomes, but only 75 per cent received a satisfactory or better overall rating.<sup>6</sup> Moreover, substantial volatility in the percentage change of projects receiving satisfactory or better ratings for several indicators in 2010 suggests the need to revisit the methodology used to gather, calculate and interpret these ratings.
19. When the quality-at-entry ratings were introduced in the QA guidelines, it was agreed that their effectiveness would be assessed. Future efforts will build on preliminary work already undertaken in 2009 to assess their value and validity as measures of institutional performance and predictors of project success. For example, the QA secretariat may work with the QE secretariat to develop guidance questions that correspond better to QE ratings and are more meaningful for assessing quality at entry.

<sup>6</sup> Overall quality-at-entry ratings are calculated as the mean of each project's rating in all four RMF rating categories.



Figure 2  
**Overall quality-at-entry rating, percentage of projects with satisfactory or better ratings, and percentage of projects likely to meet development objectives**



### Effectiveness of the quality enhancement process

20. This year's review found that the QE process continues to be successful in identifying areas of weakness in project design and recommending realistic solutions for improvement. As in previous years, areas such as compliance with IFAD's policies, technical analysis, targeting, gender, and environmental aspects are receiving adequate attention during these reviews. QA reviewers noted the following areas in which the QE process could improve:
- (a) **Greater follow-up on QE recommendations.** Reviewers often noted that recommendations made by the QE panel were not sufficiently incorporated into the project design before being submitted for QA review. Although various internal mechanisms exist to guide country programme managers (CPMs) in modifying their project designs as needed, more must be done. Recommendations to address this issue included: improving and clarifying the QE panel report, revising compliance notes, seeking the endorsement of divisional directors to sign off on compliance notes, and modifying the timing of QE reviews to minimize slippage and allow CPMs enough time to implement recommendations.
  - (b) **Managing greater involvement of the Policy and Technical Advisory Division (PTA) in design.** One effect of the more supportive QE approach has been for regional divisions to request much greater involvement of PTA's technical advisers throughout the project cycle. Hence technical advisers are now regularly invited to become country programme management team members, and this (very recently) includes, at one extreme, reviewing country strategic opportunities programmes (COSOPs) and stand-alone project concept notes and, at the other extreme, becoming involved in implementation support. This much broader involvement is redefining QE as an overall support function for the regional divisions, not simply as the review process for design documents. In the future, this approach will have to be carefully managed to ensure it does not put undue strain on PTA staffing or otherwise compromise the quality of the QE reviews themselves.

- (c) **Cofinancing and “fast-track” arrangements.** IFAD’s QE process could benefit from clearer policies on how, when, and to what degree cofinanced and “fast-tracked” projects undergo QE review. As IFAD’s partnerships with other IFIs expand, clarifying the procedures to ensure that projects receive the necessary technical attention and assessment will become increasingly important.
- (d) **Revisiting budgetary constraints.** As noted in previous QA annual reports, QE recommendations frequently entail major additional field investigations but, since the review takes place when some two thirds of the preparation budget has been spent, insufficient resources remain to carry out the additional investigations, and they are consequently being postponed to the implementation phase. Introducing a project preparation facility (i.e. earmarking a small amount of the country allocation for project preparation or mobilizing trust fund financing for this purpose) should help address this issue. In addition, there is a growing concern from QA reviewers about the adequacy of resources provided by IFAD for project supervision. These concerns are especially pertinent as IFAD continues to increase the size and complexity of projects in its portfolio.
21. As IFAD seeks to expand its programme of work, efficiency gains must be sought throughout the institution. Continuing to integrate QE into PMD’s work process will contribute to this effort by yielding higher-quality projects earlier in the design cycle, which, in turn, could lead to reductions in unit costs (and staff time) per project.

### III. Design aspects with scope for improvement

22. While reviewers generally shared the perception that the overall quality of IFAD-funded operations is improving, all agreed that as the Fund continues to expand its programme of work, several broad areas of project design will require closer attention. These areas include the growing complexity observed in project design, the sustainability of IFAD-funded operations, the proliferation of cofinancing arrangements, and the capacity of the institution to properly supervise the operations it funds. Table 4 lists the top 15 thematic areas of recommendation recorded in 2010 and each category’s percentage share of observations within this cluster.

Table 4  
Top 15 recommendations by theme (percentage of observations)

<i>Theme</i>	<i>Percentage 2010</i>	<i>Percentage 2008-2010</i>
1. Complexity	15	23
2. Governance and corruption	13	13
3. Supervision (M&E)	9	12
4. Targeting	7	8
5. Private sector	7	5
6. Logical framework	6	5
7. Rural finance	6	4
8. Project management	6	4
9. Economic analysis	5	5
10. Subsidies	5	3
11. Sustainability	5	3
12. Institutional arrangements	4	4
13. Partnership	4	4
14. Strategic issue/mandate	4	2
15. Financing	4	4

Note: M&E = monitoring and evaluation

## A. Strategic aspects of project design

23. The following specific recommendations related to project design were identified in multiple projects in 2010:
- (a) **Governance and anticorruption framework.** Despite the Fund's mandate to serve some of the poorest communities in the world, many IFAD project designs could do more to include the beneficiaries in the project decision-making process. Frameworks focused on the demand side of governance (i.e. participation, transparency, third-party monitoring) offer beneficiaries direct access to and a voice in project decision-making processes (steering committees, implementing units or other arrangements) through a variety of mechanisms such as complaint and redress channels, observation or public notification schemes. While IFAD-funded projects have developed various anticorruption measures in recent years (such as financial, technical and forensic audits), issues surrounding beneficiary ownership and voice must be given greater attention in 2011.
  - (b) **Sustainability.** In considering the sustainability of projects, IFAD's reviewers judge the likelihood that a project's activities will continue after IFAD's role (financing, implementation and supervision) has been concluded. This year, reviewers raised concerns about the viability of specific project components (such as the maintenance of roads and other public infrastructure) that will require constant attention (and financing) from local governments and communities in order to create durable and sustained impact. In most cases, IFAD reviewers did not dispute the short-term value that the proposed activities would bring the targeted communities; rather their concerns focused on how project design would ensure that benefits continue to accrue over the medium and long terms.
  - (c) **Logical framework.** There are continued shortcomings in the use (in most instances too late in the design cycle) and presentation of the logical framework in project design documents. Revised guidelines intended to improve the design and presentation of the logical framework in project design have been issued to staff. The guidelines contain clear and useful instructions and have been supported by several training sessions. It is too early to judge the impact of these guidelines but there remains considerable scope for improvement in the quality of logical frameworks included in the project design documents.
  - (d) **Targeting.** There has been a significant improvement this year in the identification of the target number of households (i.e. those expected to benefit from project activities), though a certain degree of confusion remains about the breakdown between direct and indirect beneficiaries. A greater level of precision in estimating the number of benefiting households will provide not only a better basis for measuring IFAD's poverty impact but also a more reliable basis for assessing project outcomes. A closely related issue is cost per household. Relatively high costs per directly benefiting household were noted in a number of projects. While these high cost levels are not disproportionately affecting the economic and financial viability of the projects, they raise a strategic concern about IFAD's ability to address poverty issues beyond a relatively small segment of the poor and the scope for scaling up these projects. This issue deserves greater attention at the COSOP, the Operational Strategy and Policy Guidance Committee and the design stages.
  - (e) **Risk assessment and economic analysis.** IFAD-funded projects typically address the poorest segments of society in remote areas and frequently in fragile states. Yet few, if any, of the projects are rated as high risk and accordingly lack appropriate mitigating measures. Moreover, a phenomenon observed at other financial institutions as well as IFAD is the demise of

economic analysis as a management tool for new investments. QA reviewers have also repeatedly commented on the absence of rigour in the conduct of economic analysis.

- (f) **Rural finance arrangements.** Many IFAD-funded projects in 2010 endeavoured to offer rural beneficiaries access to financial services through the provision of credit lines; some of these credit lines are to be administered by a project management unit (PMU). Often this approach is not best practice as it can: saddle PMUs with financial tasks that they are neither equipped nor adequately trained to perform; distance poor populations from professional financial intermediation; burden the project with additional operating expenses in order to build up a PMU's technical financial capabilities; and concentrate financial power in the hands of project managers rather than local markets. Wherever possible, CPMs were encouraged to engage the services of local financial firms to act as financial agents for the administration of rural credit programmes.
- (g) **The project design report (PDR).** Repeated comments by QA panellists on the need for shorter, more strategic PDRs with far greater emphasis on what the project intends to do and how it will go about doing it are starting to have an impact. A number of project reports this year were based on substantially shorter design documents and several of them also identified government agencies as the intended audience of the working papers. Despite these developments, there is further scope for improving the PDR. Under ideal conditions, the PDR should be prepared as a self-contained document to be used by the agency in charge of project implementation and not as advocacy documents for the Executive Board. Details in working papers should be restricted to amplification of points included in the PDR and not as the source of guidance on key project parameters and objectives.

## **B. 2010 strategic issues**

24. Projects reviewed in 2010 contained a number of broader, more policy-oriented issues that deserve further Management attention.
25. **Project complexity.** Last year the QA secretariat noted considerable improvement in simplifying project design and avoiding overly complex designs. This year, perhaps because of the pressure to design larger and more innovative projects, the issue of excess complexity is creeping up again. This is clearly an aspect that deserves greater attention during QE reviews and from CPMs when launching new projects. As perceived by many development experts, complexity is primarily a question of incompatibility between design (number of components and subcomponents, overly ambitious development objectives, targeting, etc.) and implementation capacity in the country as well as at the project level. Various studies conducted by multilateral financial institutions (MFIs) and other development institutions show this to be the primary factor accounting for project failure.
26. **Cofinancing with MFIs.** The recent increase in IFAD's capitalization has resulted in a growing number of projects being cofinanced with other MFIs. Constraints and friction arise primarily where projects are being funded on the basis of joint financing; far fewer problems are being encountered on projects using parallel financing. Increases in the level of cofinancing give rise to three issues. First, when embarking on a cofinancing agreement, IFAD must not lose sight of its strategic objectives, but strive to incorporate these objectives in project designs. Second, whenever possible, IFAD should seek an equal voice in all decisions related to project design and implementation. Third, where a partner institution assumes the lead in project design, the role of the QE and QA secretariats comes into question. An ideal solution in these instances is for an IFAD specialist to participate in the QE review being conducted by the partner institution. Another desirable practice is for the CPM to draft a short strategy note outlining which of IFAD's key policy

objectives have been incorporated in the project design. Finally, it may not be necessary in such instances to have a full QE review though the practice of a QA review should probably be continued for the time being.

27. **Subsidies.** Subsidies are frequently found in IFAD-funded projects. The rationale for their use is largely based on financial resource constraints faced by poor and marginal smallholders, which limit their ability to enter into or expand commercial farming practices, while the case for supporting enterprises is based on the belief that real or perceived risks and the inability to access commercial credit discourage private companies from operating in remote areas or from addressing the needs of poor people. Regardless of the merit of these assumptions, the more critical issue is whether this approach is sustainable and whether it provides a country with a development model that it can use on a large scale to redress poverty. As perceived by QA reviewers, subsidies provide an easy solution to a complex problem and, although they may indeed overcome constraints in a particular project context, the budgetary costs associated with this approach are such that few, if any, developing countries could adopt this model on a large scale. The upshot of this is that, where subsidies are concerned, IFAD is pursuing a poverty reduction model that has limited applicability and does not go far enough in helping countries to adopt a sustainable and viable poverty reduction strategy. With poverty eradication being IFAD's overarching goal, it behoves the organization to search for development models that can be scaled up on a country-wide basis in an affordable manner.
28. **Post-crisis situations.** One project in 2010 undertook a severely compressed design timetable in order to engage in a post-crisis environment. Although clarification and refinement of the project's design was ultimately reached to the satisfaction of the QA reviewers, several pointed out that IFAD must develop clear guidelines for designing projects that are intended to be implemented in post-crisis environments, given the complex issues associated with such operations. It was noted that the Fund's chief development strategist is currently leading such an undertaking.
29. **"Bunching" of project reviews.** This year the QA secretariat cleared a total of 9 projects for the April Board, 7 projects for the September Board, and 20 projects for the December Board. The imbalance in the number of projects being reviewed in each trimester not only translates into an additional burden on the Executive Board but results in considerable logistical issues for both QE and QA secretariats. Moreover, the rush to produce documents in time for end-of-year submission to the Executive Board negatively affects project quality, as projects that are submitted late in the year (the October session through December) tend to receive lower-quality project ratings.<sup>7</sup> There is clearly a need for greater realism in scheduling the reviews and in spreading them out more evenly throughout the year. Moreover, IFAD's lapse-of-time procedures for Executive Board submission – which were meant to provide relief in this area – are actually contributing to greater bunching as the deadline for submission is earlier than normal deadlines. As in previous years, the QA secretariat agreed to review projects on a rolling basis though there are clear advantages in keeping the bulk of the reviews to three predetermined dates.
30. **Scaling up the QA function itself.** Since 2008, the number of projects reviewed annually by QA reviewers has increased by 24 per cent. Moreover, IFAD's financing volume during this period has expanded by 55 per cent, and total project costs (including contributions from IFAD and other partners) have grown by nearly 70 per cent. Over the near term, as IFAD increases its project pipeline, its lending volume, the overall size of the projects it funds, and the number of its cofinancing partners, the QA process will face a difficult challenge: reviewing more (and increasingly complex) projects without necessarily receiving a proportional increase

<sup>7</sup> Statistical analysis using Pearson's correlation coefficient shows that there is a moderate negative relationship between how late in the year projects are submitted for QA review and their respective RMF ratings.

in budget. To meet this challenge, the QA secretariat will have to manage and strategically increase its roster of reviewers, proactively schedule more interim reviews to avoid “bunching” constraints, develop procedures to deal with increased workflow, and automate and streamline its internal procedures.

## Quality assurance process

### Quality enhancement system

- Under the QE system, at inception the results-based COSOPs are reviewed and approved by the Operational Strategy and Policy Guidance Committee (OSC), chaired by the President of IFAD. The OSC ensures that the country strategy is in line with the policies and strategic objectives of IFAD and the country. A QE review, conducted by the Quality Enhancement Panel, is composed of two internal and two external technical experts. The panel assesses the formulation report by performing a desk review of project documents and produces the reviewers' recommendation note. During the QE review meeting, the CPM and panellists discuss matters that require clarification or issues on which the CPM had sought advice. Based on discussions during this meeting, a QE panel report is prepared providing feedback and recommendations. The CPM and relevant division director subsequently comment on the report, stating their agreement/disagreement. The CPM is expected to address the recommendations presented in the QE panel report during appraisal. The division director is responsible for ensuring that the CPM follows up on the recommendations before the project is sent for the final QA review to the Office of the President and Vice-President.

### Quality assurance review

- Providing the final quality checks on the appraisal report, the QA review is the last stage in the overall quality enhancement process before a project proceeds to loan negotiations and then to the Executive Board for approval. The table below outlines the different steps involved in the two-week QA review.

#### Procedures in the quality assurance process

<i>Steps</i>	<i>Action</i>	<i>Actors</i>	<i>Timing</i>
<b>Step 1</b>	Submission of project documents	CPM	4 weeks before QA review (12 weeks before the Executive Board)
<b>Step 2</b>	Questions from reviewer and CPM's written response	Reviewer	1 week before QA review
<b>Step 3</b>	<b>First QA meeting</b> – Discuss questions and answers and potential recommendations	Reviewer, CPM	During first week of QA review
<b>Step 4</b>	Draft recommendations submitted	Reviewer	1 day after first meeting
<b>Step 5</b>	CPM comments on draft recommendations (agree/disagree)	CPM	2 days after first meeting
<b>Step 6</b>	<b>Meeting between VP and lead reviewer</b> – Discuss recommendations and CPM response – Discuss whether to proceed to the Executive Board	Lead reviewer and VP	Beginning of the second week of QA review
<b>Step 7</b>	<b>Second QA meeting:</b> – Discuss recommendations CPM disagreed with – Suggest changes to recommendations	CPM, VP, director, reviewer, AVP	During second week of QA review
<b>Step 8</b>	Finalize QA recommendations and ratings	Reviewer	Day after second meeting
<b>Step 9</b>	VP endorses recommendations	VP	Friday of second week of QA review
<b>Step 10</b>	Wrap-up session – Discuss project design, IFAD policy issues that arise during the QA process – CPMs provide feedback on the process	VP, AVP, directors, CPMs	Friday of second week of QA review

Note: AVP = Associate Vice-President; VP = Vice-President.

- Typically, there is a three-month interval between the QE and QA reviews, during which time the CPM undertakes a field mission and carries out additional studies. Four weeks prior to the QA review, CPMs submit the project documents, which

include: the appraisal report; all working papers; the compliance note; the QE panel report; the reviewer recommendation note; the management assessment template; the COSOP; and any evaluation reports or supervision reports on related projects.

4. The external QA reviewer performs a desk review of these project documents and assesses whether the issues raised by the QE panel have been adequately addressed. He or she also identifies any additional issues requiring attention, and gives an opinion on whether the project is likely to achieve its development objectives taking account of the institutional and supervision arrangements provided. Based on this desk review, the QA reviewer prepares a list of discussion questions for the CPM. The CPM provides a brief written response to these questions prior to the first QA meeting between the QA reviewer and the CPM.
5. During the first QA meeting, any questions that require further clarification are discussed together with any other issues that may arise during the meeting. Based on the discussions, the QA reviewer prepares a set of recommendations, which are shared with the CPM who is asked to agree/disagree with them. These recommendations are also shared with the lawyer and loan officer assigned to the country to ensure their feasibility. The recommendations with the comments of the CPM, lawyer and loan officer serve as the basis of the second QA meeting.
6. Prior to this meeting, the Vice-President reviews the initial questions with their responses and the recommendations with the CPM's comments, and meets with the reviewer to raise additional issues and give an opinion on the recommendations. The final QA meeting involves principally the Vice-President, the Associate Vice-President and the CPM and director concerned, but it may also include the lead adviser from the QE review and the relevant lawyer or loan officer. During this meeting, the recommendations on which the CPM disagreed are discussed together with any other issues that may have arisen after the initial meeting. Agreement on the recommendations is sought and ways to achieve them are discussed. Based on the discussions in this meeting, the final QA minutes are prepared specifying the recommendations that the CPM has agreed to address, indicating whether the project is cleared to proceed to loan negotiations and the Executive Board. These minutes are signed by the Vice-President and guide the loan negotiations.
7. At the conclusion of the QA session, a wrap-up meeting is held. It is chaired by the Vice-President and involves the Associate Vice-President and the CPMs and directors who participated in the QA review. Its purpose is to discuss the policy and strategic issues that have emerged during the QA reviews and any recommendations on how to improve the QE and QA processes. These issues are documented and shared with the participants prior to the meeting, which results in productive discussions on feasible next steps. Thus, these wrap-up meetings serve as an effective feedback loop to PMD on how to improve project design.
8. One year after project effectiveness, the CPMs are expected to report on progress made in implementing the QA recommendations. The QA secretariat is responsible for reviewing the progress report and ensuring that the QA recommendations have been adequately addressed. This step is essential to ensure compliance and assess the efficacy and relevance of the QA review.



## List of QA projects and reviewers

Table 1  
Projects by QA session, 2010

	Country	Project title	CPM	Chair
<b>February session</b>				
1	<b>Bangladesh</b>	Char Development and Settlement Project IV	Nigel Brett	KN
2	<b>Burundi</b>	Value Chain Development Programme	Hamed Haidara	KN
3	<b>Eritrea</b>	Fisheries Development Project	Abla Benhammouche	KN
4	<b>Viet Nam (RQA)</b>	Project for the Economic Empowerment of Ethnic Minorities in Dak Nong Province	Atsuko Toda	KN
5	<b>Dominican Republic</b>	Rural Economic Development Project in the Central and Eastern Provinces	Marco Camagni	KN
6	<b>Yemen</b>	Economic Opportunities Programme	Omer Zafar	KN
7	<b>Guatemala</b>	Sustainable Rural Development Programme in El Quiche	Enrique Murguia	KN
8	<b>Uganda</b>	Vegetable Oil Development Project – Phase II	Marian Bradley	KN
9	<b>Papua New Guinea (RQA)</b>	Productive Partnerships in Agriculture Project	Ronald Hartman	YO
<b>June session</b>				
10	<b>Armenia</b>	Rural Asset Creation Programme	Henning Pedersen	YO
11	<b>Botswana</b>	Agricultural Services Support Project	Esther Kasalu-Coffin	YO
12	<b>Honduras</b>	Sustainable Rural Development Programme for the Southern Region ( <i>Emprende Sur</i> )	Enrique Murguia	YO
13	<b>Kenya</b>	Programme for Rural Outreach of Financial Innovations and Technologies	Robson Mutandi	YO
14	<b>Mali</b>	Fostering Agricultural Productivity Project	Leopold Sarr	YO
15	<b>Pakistan</b>	Southern Punjab Poverty Alleviation Project	Ya Tian	YO
16	<b>Uganda (RQA)</b>	Agricultural Technology and Agribusiness Advisory Services Programme	Marian Bradley	YO
<b>October session</b>				
17	<b>Niger</b>	Emergency Food Security and Rural Development Programme	Vincenzo Galastro	YO
18	<b>Mongolia</b>	Project for Market and Pasture Management Development	Frits Jepsen	YO
19	<b>Mozambique</b>	Sofala Bank Artisanal Fisheries Project	Alessandro Marini	YO
20	<b>Bhutan</b>	Market Access and Growth Intensification Project	Maria Donnat	YO
21	<b>Syrian Arab Republic</b>	Integrated Livestock Development Project	Abdelhamid Abdouli	YO
22	<b>Republic of Moldova</b>	Rural Financial Services and Agribusiness Development Project	Abdelkarim Sma	YO
23	<b>Yemen</b>	Fisheries Investment Project	Omer Zafar	YO
24	<b>Nicaragua</b>	Support Project for the Development of the Nicaragua Atlantic Coast	Ladislao Rubio	YO
25	<b>Sudan</b>	Supporting Small-scale Traditional Rainfed Small-Scale Producers in Sennar State Project	Rasha Omar	YO
26	<b>Togo</b>	Agriculture Sector Rehabilitation Project	Mohammed Tounessi	YO
27	<b>Brazil</b>	Rural Business for Small Producers Project	Ivan Cossio	YO
28	<b>Morocco</b>	Agricultural Value Chain Development Programme in the Mountain Zones of Taza Province	Mounif Nourallah	YO
29	<b>El Salvador</b>	Rural Territorial Competitiveness Programme ( <i>Amanecer Rural</i> )	Enrique Murguia	YO
30	<b>Grenada</b>	Market Access and Rural Enterprise Development Programme	Jaana Keitaanranta	YO
31	<b>Sierra Leone</b>	Rehabilitation and Community-based Poverty Reduction Project	Hubert Boirard	YO
32	<b>Chad</b>	Rural Development Support Programme in Guéra (PADER-G)	Annabelle Lhommeau	YO
33	<b>Solomon Islands</b>	Rural Development Programme	Ronald Hartman	YO
34	<b>Peru</b>	Programme for Local Development Support in Highland and High Altitude Rain Forest Areas	Roberto Haudry de Soucy	YO
35	<b>Viet Nam</b>	Tam Nong Support Project	Atsuko Toda	YO
36	<b>United Republic of Tanzania</b>	Marketing Infrastructure, Value Addition and Rural Finance Support Programme	Samuel Eremie/J. Gicharu	YO

Note: KN = Kanayo Nwanze; YO = Yukiko Omura; RQA = Rolling quality assurance review

Table 2  
**List of QA reviewers in 2010**

<i>QA reviewers</i>	<i>Project reviewed</i>
Amnon Golan	Bangladesh, Papa New Guinea, Eritrea, Kenya, Uganda (two projects), Sudan, Viet Nam
Arna Hartmann	Armenia, Mali, Republic of Moldova, Morocco, United Republic of Tanzania
Younes Bouarfa	Burundi
Paolo Lucani	Brazil, Dominican Republic, Guatemala, Honduras
Carlos Elbirt	Bostwana
Cornelis de Haan	Chad, Mongolia, Syrian Arab Republic, Viet Nam
Prem Garg	Bhutan
Shawki Barghouti	Pakistan, Yemen
David Steeds	Niger, Solomon Islands, Togo
Petros Aklilu	Sierra Leone
John Redwood	Peru
Promil Paul	Grenada
Joe Goldberg	Yemen, Mozambique
Richard Anson	El Salvador, Nicaragua

## Quality-at-entry indicators, by region

Division (Number of projects 2008-2010)	RMF Indicators	Average rating				Satisfactory or better ratings (percentage)			
		2008	2009	2010	2008- 2010	2008	2009	2010	2008- 2010
APR (24)	RMF 1	3.9	4.2	4.3	4.2	57	90	88	83
	RMF 2	4.1	4.2	4.4	4.3	71	80	88	83
	RMF 2D	3.6	4.1	4.4	4.3	71	80	75	88
	RMF 3	3.9	4.0	4.1	4.0	57	80	88	79
	RMF 4	4.1	4.0	4.1	4.1	57	70	63	67
	Overall	4.0	4.1	4.3	4.2	57	70	75	67
ESA (18)	RMF 1	4.8	4.9	4.6	4.7	100	100	100	100
	RMF 2	4.9	5.0	4.6	4.8	100	100	100	100
	RMF 2D	4.8	4.6	4.7	4.7	100	100	100	100
	RMF 3	4.4	4.6	4.4	4.4	100	100	100	100
	RMF 4	4.5	4.8	4.7	4.6	100	100	100	100
	Overall	4.7	4.8	4.7	4.6	100	100	100	100
WCA (22)	RMF 1	4.8	4.8	4.6	4.7	100	100	100	100
	RMF 2	4.9	4.9	4.6	4.8	100	100	100	100
	RMF 2D	5.0	4.8	4.4	4.8	86	89	80	90
	RMF 3	4.6	4.3	3.9	4.3	88	67	60	73
	RMF 4	4.4	4.4	4.1	4.3	88	89	60	82
	Overall	4.7	4.6	4.3	4.5	88	89	60	82
LAC (17)	RMF 1	4.0	5.0	5.0	4.9	80	100	100	100
	RMF 2	4.1	5.5	5.1	5.1	80	100	100	100
	RMF 2D	4.1	5.6	5.3	5.2	80	100	100	100
	RMF 3	4.1	4.9	4.5	4.7	80	100	75	82
	RMF 4	3.8	4.9	4.6	4.6	80	100	75	82
	Overall	4.0	5.1	4.8	4.8	80	100	75	82
NEN (17)	RMF 1	4.4	4.3	4.6	4.5	75	83	100	88
	RMF 2	3.8	4.0	4.6	4.2	50	67	100	76
	RMF 2D	3.5	3.9	4.4	4.0	50	67	100	76
	RMF 3	4.4	3.9	3.7	3.9	100	67	57	71
	RMF 4	4.4	4.3	3.9	4.1	75	83	57	71
	Overall	4.2	4.1	4.2	4.2	75	83	71	76

Note: APR = Asia and the Pacific Division; ESA = East and Southern Africa Division; WCA = West and Central Africa Division; LAC = Latin American and the Caribbean Division; NEN = Near East and North Africa Division