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Enabling poor rural people
to overcome poverty

Views of IFAD Management on the presentation made on the Efficiency Evaluation in the Evaluation Committee meeting held on 21 November 2012

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For: Information

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IFAD, Senior Adviser to the President, OPV – Mr H. Kifle: I apologize for coming in after three presentations but I think you would like to hear Management's views on some of the preliminary findings of the corporate-level evaluation on efficiency.

First of all, I would like to say that Management welcomes of course this opportunity to comment on the preliminary findings. As the members of the Committee will recall and as Mr Muthoo, noted Management had submitted a paper to the IFAD9 consultations on managing for efficiency. We had indicated in the paper the steps we proposed to take to improve IFAD's institutional efficiency. We have also proposed a number of efficiency indicators. These have now become part of the IFAD9 Results Measurement Framework on which Management will report throughout the IFAD9 period.

In proposing actions to improve IFAD's efficiency, we have also indicated that we plan to incorporate the findings of CLE on efficiency into our work. We therefore look forward to the final report.

Management recognizes that the evaluation is at this time a work in progress. Our comments today are therefore made with the goal of assisting authors of the report to come up with valuable inputs to raise IFAD's institutional efficiency. Management's formal response to the CLE will be submitted when we get the final report in early 2013. In my comments I will focus more on institutional efficiency and I hope that Mr Cleaver and the PMD staff will be able to make some short comments on the issues dealing with programme efficiency.

Turning to the issues raised in the CLE, first on the conceptual framework. Management welcomes the re-composition of the concept of efficiency along the results chain consisting of outputs, outcomes and in fact scaled-up impact efficiency and highlighting the trade-offs involved. In our own work on efficiency we have to admit that we focus more on output efficiency. Any contributions that the CLE can therefore make towards helping us address outcome and impact efficiency however difficult would be most welcome. However, as currently presented we do not see much in this direction in the CLE presentation.

On this issue of what matrix should be used to judge IFAD's performance whether on the basis of moderately-satisfactory or better or on satisfactory or better we agree that IFAD should make every effort to improve its own performance and achieve excellence where it can. Nonetheless, we would like to caution that there are some critical issues that the CLE should consider in arguing for a higher bar.

First, the fact that the performance of comparators such as the World Bank being similar to IFAD would suggest that there are structural limitations to setting higher performance targets and outcome-planned results are not only dependent on our own performance but on country performance as well.

Second, we have to be careful that the wrong institutional incentives are not provided. One way of increasing overall performance, for example, would be to focus our operations in countries with strong institutions or in more favourable areas in the countries in which we operate. This would obviously go against the strategic framework

that you adopted, that you approved, and also the outcome of the IFAD9 consultations, particularly as it relates to fragile states.

Third, the link between programme performance and scaling up may not be as direct as the CLE assumes. Indeed, one can argue that IFAD should be innovative in the types of projects it designs and funds with the clear risk of failure that it entails in order to identify projects and programmes that are suitable for scaling up.

Turning to the oversight and support section: regarding the finding that IFAD spends more on oversight than support units than other comparators we would argue that if this is indeed the case it is mainly driven by the issue of scale of operations. Some investments or expenditures are lumpy in nature and cannot be scaled down. Also, while we have committed ourselves to reducing our administrative costs to the extent possible we would like to caution that there are clear limits to which we can go. For example, the CLE notes that IFAD's investment and expenditures on IT are low in relation to other comparators. Higher expenditures which may be required for effectiveness are thus likely to increase the share of expenditures on oversight and support as we are observing, for example, in the 2013 budget proposal.

We agree with the CLE on the other hand that we need to continuously revisit and improve our internal business processes to make them less cumbersome and more efficient. This is a commitment we have made during the IFAD9 consultations and we intend to follow through. Encouraging proposals such as those of the Office of the Secretary are being made in this regard.

On managing results and budget, we agree that improving and simplifying our results system should be a goal although we also need to realize that it can be costly if it is funded entirely from IFAD's administrative budget and may therefore go against output efficiency. With respect to budget management, we believe we have made considerable progress in adopting a results-based budget system as well as on the management of the budget itself. We, of course, intend to continue to improve our budget system in the coming years to ensure that IFAD makes the best use of its financial resources.

On managing people, Management believes that while managing people in the words of the CLE remains a challenge as is the case in almost all institutions. Important progress has nonetheless been made in the last few years and we feel that the CLE should perhaps consider in some depth. Just to cite a few: the staff rules including importantly the terms and conditions of employment in IFAD have been revised and updated. A job audit of all professional and GS staff has been undertaken and corrective action is being taken now. With our instigation and involvement, a more appropriate and lower salary scale for GS staff in Rome has been adopted by the ICSC. We are also revamping our performance evaluation system and are looking into the possibility of introducing a pay for performance scheme with the assistance of the ICSC.

This year we have launched a much more robust strategic workforce planning exercise that is helping us align IFAD's workforce skills and competencies to IFAD9 strategic needs. This exercise will continue in future years and will help us address some of the skills-deficit issues in some key areas that the CLE has identified. Improving the accountability framework and challenging poor performance is a continuing challenge for IFAD but is an area that Management is committed to strengthen.

In concluding, one final comment and suggestion. A danger for efficiency evaluations is the tendency to fall into the trap of looking into everything as everything in one way or another does affect efficiency. Our advice would therefore be for the final report of the CLE to focus on key drivers of efficiency and do in-depth analysis to come up with actionable recommendations that the Board and Management can consider. In this vein it is also important, we believe, to come up with efficiency indicators that IFAD can track

and monitor. The IFAD9 consultations have adopted a number of efficiency indicators that Management had recommended to it. In this regard, for example, I would just add, the current IFAD efficiency indicator has shown a continuous improvement in IFAD's efficiency although we had indicated in the IFAD9 consultations some of its limitations. We look forward to the CLE work in this area and validating or challenging the efficiency indicators that we had suggested for the IFAD9 consultations.

IFAD, Associate Vice-President, Programmes, PMD – Mr K. Cleaver: I will be very brief, just to add a few points to Mr Kifle.

With respect to the operations and Project Management Department, we fully accept from what we heard the evaluation that we need better policy dialogue at country level, we need to look at project complexity particularly in fragile states. We need to work much more on monitoring and evaluation and we need more funds, more resources for project design, policy implementation. What I would like to see in the evaluation is some assessment of trade-offs because to do these well with a set amount of resources is going to require trade-offs. Would they suggest for example that we spend less money on project supervision? Or perhaps a little less representation at country level in order to provide what is effect technical assistance; because if we are to contribute to project monitoring and evaluation, better policy, better design, which I fully agree we should, this is going to cost money.

This gets me to the point about IFAD's policies; the presentation by Mr Sood was right on target with respect to the myriad of new policies, internal policies that we have prepared in response to the 2005 independent evaluation. We have policies on gender, private sector, rural finance, indigenous people. We have very ambitious targets; in fact Finland pointed this out this morning in the discussion of the ARRI, a huge number of targets that are very ambitious. In effect, we have agreed to an overloading of targets and policies which our resource base does not permit us to handle that well. So, here is the question, there are trade-offs. It is easy to say let us do more. It is easy for us, Management, to say yes we will do more but let us have a realistic, mature conversation about how much this Board and how much our members are willing to put in as resources to permit us to do all these things. Otherwise we simply promise more than we can deliver.

Let me say with respect to the need for more technical staff, I think that the evaluation has it absolutely right. Remember that IFAD was created as a bit of a pass-through organization. We use cooperating institutions, including incidentally the World Bank and consultants to do all of our technical work. It was only when our reforms begun in 2007 that we began to do some of our technical work ourselves, our own supervision, our own design. I think they have the figures about right. We have achieved a situation in which we are probably leading about half of these tasks ourselves and the other half are led by not just consultants incidentally, by the FAO Investment Centre and often by cooperating institutions like the World Bank.

However, I think that it is true to say that we want to continue evolving in this direction and in that sense we are going to need more technical staff. But here is the question for them, again there is a trade-off, more technical staff means more cost, bringing expertise into IFAD. It would be interesting to hear what the Evaluation Committee and the Board members have to say, not now necessarily because they need to see the analysis, but when your report is prepared, about these trade-offs.

Incidentally the variation in quality of staff, I suspect that this is characteristic of all institutions, maybe particularly public institutions. I would ask each of the Evaluation Committee members whether, in their own institutions they do not have the same phenomena of people who perform extraordinarily well and those who hardly manifest a pulse. We are no different than any other institution, but that does not mean it is not a

problem; it is a problem and it is a problem we need to face.

So let me get to my last two points, the points that I have some disagreement with. I think the evaluation has relied too much on the ARRI results and I am glad, Mr Sood, that you were in the meeting this morning which discussed the ARRI, because the ARRI gives you an accurate snapshot of the history of IFAD in terms of our response to the various objectives of efficiency, effectiveness, poverty reduction, gender, etc. What would be more interesting for the evaluation is to differentiate more recent projects from the historical projects. You use the ARRI figures, for example, for 2012; 11 of the 24 projects were designed in the 1990s. How well, how much better do the project's design after our reforms began in 2007 do compared to these projects? That is the question and the data does not reflect that. I think that the RIDE reflects it better but that is for you to take a look at.

Then the final point and that is whether we should up the bar in looking at results against satisfactory or better, which is highly satisfactory, as opposed to moderately satisfactory or better. And here I disagree personally with the view of Mr Sood. It is the only point, frankly, that I disagree with. We use the same metric that all the other IFIs do – all of them, not just the World Bank and the Asian Development Bank – all of them use the same metrics that we do. I do not think that we should be the pioneer in using a more severe metric. Why? We focus on the poorest people in the poorest countries; it is a more difficult task than just focusing on agriculture in poor countries. I think it is quite unfair to use a metric that is more severe for IFAD than for other institutions that have a much less focused and much less targeted agenda. I know we can quibble; I fully agree that we should present all these data and maybe individual members of IFAD will want to focus on fully satisfactory or even highly satisfactory. We should transparently publish all of that data and you should use it, but I think there is a general proposition that we should use the same metrics as the other IFIs do, and when the other IFIs graduate to a more severe metric we should do so immediately. The final point on this is my recollection from having worked in the World Bank, was that agricultural projects were always more problematic. Why would you want to use a tougher metric for agricultural projects when you are not using them for financial projects or infrastructure projects in those institutions themselves? That may be a minor quibble but I think it is an important one because some emphasis was put on the presentation on changing our metrics. Let me stop there.