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![IFAD logo - Investing in rural people]

Update on IFAD's country presence

Executive Board — 117th Session
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For: Information

Contents

Annexes

Abbreviations and acronyms

APR	Asia and the Pacific Region Division
ARRI	Annual Report on Results and Impact of IFAD Operations
AUO	Office of Audit and Oversight
CFS	Controller's and Financial Services Division
CPE	country programme evaluation
CPM	country programme manager
CPO	country programme officer
ESA	East and Southern Africa Division
FSU	Field Support Unit
HCA	host country agreement
ICO	IFAD country office
IOE	Independent Office of Evaluation of IFAD
IFAD10	Tenth Replenishment of IFAD's Resources
IRON	IFAD Regional Office of Nairobi
LAC	Latin America and Caribbean Division
NEN	Near East, North Africa and Europe Division
PMD	Programme Management Department
WCA	West and Central Africa Division

Executive summary

1. As a follow-up to earlier progress reports provided to IFAD's Executive Board on its country presence, this update provides an overview of progress made during 2014 and 2015 in consolidating IFAD's country offices (ICOs), establishing new country offices and the operational and policy challenges that have emerged.

2. In line with the decentralization strategy approved by the Board in 2011, IFAD has made considerable progress in expanding its country presence. As of February 2016, 40 ICOs had become operational. Of these, 50 percent are located in Africa and 21 are in countries with fragile situations. IFAD has established the majority of its country offices using hosting arrangements with other United Nations agencies, especially the Rome-based agencies.

3. IFAD's country presence has evolved in response to the growing complexity of its operations and the demands of its Member States. From an early focus on supporting project supervision, ICOs are now tasked with more complex portfolio management, policy engagement, knowledge management and partnership building. With the increased responsibilities assigned to country offices. IFAD has outposted senior operational staff and nearly half of all ICOs are now led by internationally recruited country programme managers (CPMs).

4. Along with an increase in country offices, IFAD has also begun establishing subregional hubs responsible for supporting operations in four to five countries. This new organizational arrangement allows for the optimal use of staff resources, greater knowledge sharing across countries and more effective portfolio management.

5. An assessment by IFAD's Management and reports of the Independent Office of Evaluation of IFAD (IOE) show that country offices contribute to improved portfolio management. Project achievements are greater in countries with country offices than in countries without them. Country offices also allow IFAD staff to have greater influence on policy issues related to rural development and build effective partnerships among all stakeholders.

6. As IFAD's country presence has expanded, the associated costs of decentralization have also risen. Nonetheless, the hosting arrangements for country offices with other United Nations agencies have helped to contain these costs. Even with the outposting of CPMs, country offices remain small compared to those of other organizations. This has also helped to minimize the budget increases related to these new offices.

7. IOE is evaluating IFAD's decentralization in 2016. Management will be presenting a corporate decentralization plan to the Executive Board with the goal of deepening corporate engagement in decentralization and making it more effective. The plan will be informed by both the IOE and Management assessments, and will consider critical issues such as the optimal number and mix of country office models, the optimal staffing of country offices, required policies and procedures, and the most appropriate human resources framework for effective decentralization.

Update on IFAD's country presence

I. Background

1. IFAD's first country presence initiative, the Field Presence Pilot Programme, was approved by the Executive Board in December 2003. This approval paved the way for the establishment of 15 IFAD country offices by the end of 2006. An assessment undertaken by the Independent Office of Evaluation of IFAD (IOE) in 2007 found that IFAD's operations were markedly more effective in countries with country offices than in other countries.[1] Given this finding, IFAD's country presence expanded to an additional 15 ICOs by 2009, raising the total to 30.

2. In 2010, IFAD Management undertook a self-assessment of the operations, results, and achievements of the established country offices. The findings informed the development of the country presence policy and strategy, which was approved by the Executive Board in May 2011. Approval of this policy provided Management with the authority to increase the number of ICOs to 40 by 2013.

3. At the December 2013 Executive Board session, Management provided a further update on the progress achieved in making the 40 ICOs operational. It also obtained the Board's approval of an updated country presence strategy for 2014-2015, including a further expansion of ICOs from 40 to 50.

4. This update provides an overview of the progress achieved during 2014 and 2015 in consolidating the existing country offices, establishing additional country offices and the operational and policy challenges that have emerged. Section II of this document discusses the actions taken to expand IFAD's country presence, including the evolving country office models, human resource challenges and the development of related policies and procedures. Section III discusses the impact of IFAD's country presence on its development effectiveness. Section IV shows the evolution of country office costs and associated cost drivers. Finally, Section V outlines the lessons learned, challenges and opportunities that will guide the development of a corporate decentralization plan for presentation to the Executive Board in December 2016.[2]

II. Progress in making country presence operational

5. IFAD's country presence has evolved in response to the growing complexity of its operations and the demands of Member States. The pilot country presence initiative launched in 2003 had the limited objective of supporting IFAD's newly assumed responsibility for direct supervision. The functions of country offices were therefore also limited, focusing on portfolio management. In recent years, IFAD's operations have become more complex and now include policy engagement, knowledge management, scaling up of results and partnership building. The increasing complexity of country office operations has necessitated that IFAD allocate more resources to enable these offices to carry out their new functions.

A. Consolidation and expansion of IFAD country offices

6. In 2013, the Executive Board approved the updated country presence strategy for 2014-2015.[3] This included continued use of the existing: (i) criteria for opening country offices;[4] (ii) criteria for selecting country office models; and (iii) exit

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[1] EB 2007/91/R.6.
[2] The Plan will take into account the findings and recommendations of the current IOE Corporate Level Evaluation on Decentralization, which will be completed by the end of 2016.
[3] EB 2013/110/R.5/Rev.1.
[4] These criteria include the: (i) size of IFAD's country programme; (ii) country's dependence on agriculture; (iii) size of the rural population; (iv) prevalence of poverty; (v) existence of an enabling policy environment; and (vi) state fragility or weak performance in achieving development outcomes.

strategy for country offices. The Board also approved the establishment of up to ten additional offices.

7. Expansion of IFAD country offices. Since 2014, IFAD has made additional progress in consolidating and expanding its country presence. As of February 2016, 40 ICOs have become operational (see annexes I and II for details). This includes a regional office located in Nairobi, Kenya. Of these 40 ICOs 50 per cent are located in Africa and 21 are in countries with fragile situations.[5] The 40 country offices: cover 88 per cent of the rural population in the countries where IFAD works; account for 69 per cent of the resources allocated under the Tenth Replenishment of IFAD's Resources (IFAD10); and comprise 63 per cent of the total number (and 78 per cent of the total financing) of active IFAD-financed investments.

8. Over the past two years, IFAD has made efforts to establish ten additional offices,[6] as approved in 2013. Of these, three have been established with the signing of host country agreements (HCAs) and the deployment of national staff.[7] Active host country negotiations are underway for three additional offices. During this period, an additional nine HCAs have been signed, bringing the total number of signed HCAs to 32 (see annex I).[8]

9. IFAD has only closed one country office to date. Given that there was only one ongoing project and that no new projects were foreseen in Panama during IFAD10, it was decided to close the office and manage operations through the subregional hub in Guatemala. These actions are in line with IFAD's exit policy for ICOs.

10. Hosting arrangements. IFAD has established the majority of its ICOs under hosting agency arrangements with other international organizations. Of these: 17 are hosted by the United Nations Development Programme (UNDP); ten by the Food and Agriculture Organization of the United Nations (FAO); seven by the World Food Programme (WFP); and one each by the United Nations Office at Nairobi, the International Livestock Research Institute, the United Nations Office for Project Services and the United Nations Environment Programme. IFAD's partnership with the other Rome-based agencies has grown, with 17 ICOs hosted by either FAO or WFP.

11. IFAD's approach for hosting arrangements has proven to be cost effective. In many cases, United Nations premises are provided rent free by host governments and IFAD is only required to cover operating expenses. This has ensured that costs remain lower than market rental rates and that the facilities hosting country offices have implemented the minimum operating security standards (MOSS) of the United Nations Department of Safety and Security.

12. Strengthening the Field Support Unit (FSU). In response to its expanded field presence and country offices' growing needs, IFAD has strengthened its FSU, which was established in 2013. In partnership with the Programme Management Department (PMD), the unit manages field security operations, oversees host country and service-level agreements, and coordinates advisory services.

13. The services that the FSU provides include: assessing and identifying new premises; upgrading facilities (with capital investments of US$250,000 in 13 country offices in 2014 and 2015); and outposting an administrative officer to the IFAD Regional Office in Nairobi (IRON) to provide administrative services for East and Southern Africa (ESA). FSU's focus on field security includes capital

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[5] Of the 40 country offices, 9 are in the ESA region, 11 are in West and Central Africa region, 11 in are the Asia and the Pacific region, 5 are in Latin America and the Caribbean (LAC) region, and 4 are in the Near East and North Africa (NEN) region.
[6] EB 2013/110/R.5/Rev.1.
[7] These include Cambodia, Côte d'Ivoire and Morocco.
[8] Experience has shown that the process of establishing country offices and reaching HCAs takes considerable time.

expenditures on required security equipment for country offices and the establishment of a risk mitigation plan.

14. **Information and communication technology.** A key enabler for IFAD's decentralization strategy is the availability of information technology resources, tools and services for geographically dispersed IFAD staff. To this end, the Information and Communications Technology Division has adopted a "smart decentralization" approach using the latest technology to provide staff with seamless and secure access to IFAD resources from any internet-connected computer.

15. In addition, a video conferencing initiative has provided ICOs with state-of-the-art video conferencing facilities. With 32 offices currently connected, there are plans for further expansion in 2016. This initiative has enabled country office staff to make more frequent and reliable contact with headquarters. In 2015, 684 meetings were conducted by regional divisions using video conferencing, compared to 170 in 2014.

16. **Financial management.** The Controller's and Financial Services Division (CFS) has played an important role in supporting IFAD's country presence. Considerable progress has been made in building the capacity of both country office and project staff in financial management. Along with PMD, CFS has also been instrumental in developing the Withdrawal Application Tracking System, which has reduced the average time for processing withdrawal applications.

B.   Evolution of country office models

17. **The models.** The 2013 update on IFAD's country presence outlined the evolution of the country office models, noting that four models had emerged:

(i)   ICOs led by CPMs;

(ii)   ICOs led by country programme officers (CPOs);

(iii)   ICOs that provide support to a neighbouring country; and

(iv)   An ICO that is a regional office.

The update noted that these models can be adapted as necessary in response to emerging national and regional needs.

18. In line with the "learning-by-doing" approach, IFAD has continued to adapt and develop its country office models. In countries with large portfolios or in fragile states, CPMs continue to be outposted, taking full responsibility for managing the office and country programme with support from nationally recruited staff. Of IFAD's 40 country offices, half are now led by an outposted CPM – a threefold increase since 2011. The remaining 20 offices are led by a national CPO and managed by a headquarters-based CPM.

19. **Subregional offices.** Since the number of ICOs has increased in recent years, the suitability of continuing with this linear approach is being examined. As an alternative, a few regions have experimented with the establishment of subregional offices hosting a number of CPMs who take responsibility for programmes in the host country and neighbouring countries. Examples of the subregional "hub-and-spoke" model can be found in Guatemala (responsible for Belize, El Salvador, Guatemala, Honduras and Panama), and Viet Nam (responsible for Cambodia, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam).

20. The advantage of subregional offices is that they enable a more optimal sharing of responsibilities and tasks among CPMs and other technical staff. This can reduce the enormous workload that individual CPMs face in isolated ICOs.[9] Subregional offices are also proving to be an effective vehicle for providing supervision,

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[9] See the CPM workload analysis conducted by IFAD's Office of Audit and Oversight (AUO) in December 2014. Some CPMs have noted that small country offices with limited professional staff lead to the creation of a "silo" environment.

implementation and design support, and improved compliance with fiduciary requirements. In addition, these offices allow for the frequent exchange of knowledge and experience among IFAD staff, making it possible to share ideas across countries. As the number of ICOs expands, IFAD is likely to establish more subregional offices, taking into account lessons learned to date (annex III provides a description of the Guatemala and Viet Nam subregional offices.)

21. **IFAD Regional Office in Nairobi**. IRON is IFAD's only regional office: it manages a group of country programmes and provides technical services in areas including gender and youth. CFS staff are also present in IRON, providing loan and grant administration services that cover the entire ESA region and 80 per cent of West and Central Africa (WCA). IRON has also begun improving the quality of project fiduciary oversight. Since Nairobi hosts a number of international organizations and regional partners, IRON is critical in building partnerships.

22. **Technical support**. The Policy and Technical Advisory Division and the Environment and Climate Division (ECD) provide technical and knowledge services to country offices, including technical expertise during project design, quality enhancement, supervision and implementation support (for 68 missions in 2015). They also make available thematic publications and operational toolkits. ECD is planning to strengthen country office staffing by recruiting five national environment and climate change specialists.

C. Human resources management

23. **Staffing**. Staffing in ICOs has increased significantly in recent years. The recruitment of national staff grew by 10 percent from 2013 to 2015, bringing the number from 63 to 70. As part of the 2016 strategic workforce exercise, another increase is envisioned, raising the total number of international and nationally recruited field staff to nearly 100. This means that country office staff will constitute 35 per cent of all PMD staff. During IFAD10, this percentage is expected to increase further with the recruitment of additional national staff and the redeployment of headquarters staff.

24. **Career development**. IFAD is committed to advancing the careers of its international and national country office staff. Since 2011, six national officers have been recruited for various international professional positions. As part of the efforts to advance the career development of national professional staff, IFAD has introduced the Development Assignment Programme. The Human Resources Division (HRD) will also be implementing a career framework programme to guide staff. For example, a long-term career for an international staff member may require a field assignment. Career advancement would therefore prioritize staff members with demonstrated field experience.

25. **Training and capacity development**. In 2015, HRD strengthened its focus on training and capacity development for country office staff. Training on IFAD's corporate systems continues along with training in supervision, financial management and procurement. Several related events have been organized in ESA and WCA, bringing together country office and project staff. In addition, HRD has launched an innovative career support service, which provides access to certified professional career coaches with experience in the United Nations system and beyond.

D. Coordination and supporting policies and procedures

26. **The Corporate Decentralization Coordination Group (CDCG)**. As IFAD's country presence has expanded, there is a need to ensure effective support and coordination across all divisions. To this end, CDCG, co-chaired by the Associate Vice-Presidents of PMD and the Corporate Services Department, coordinates the planning, implementation, and monitoring of activities that are critical for effective decentralization.

27. The Delegation of Authority Framework. A critical component of effective decentralization is the delegation of authority to country offices so that CPMs are able to carry out field-based tasks. As a first step, IFAD created the Delegation of Authority Framework, which outlines the organization's decision-making structure and the responsibilities, roles and functions of staff, including country office staff. As more experience is gathered from the field, this framework will be developed further. In the meantime, a pilot initiative is underway to test full budget decentralization.

28. Creation of an enabling environment for decentralization. The experiences of other organizations demonstrate that policy coherence is an important challenge in any decentralization process. In this regard, the Office of Audit and Oversight (AUO) has prioritized field presence and decentralization, significantly increasing its audit coverage of country offices in 2014 and 2015. Several good practices and areas for improvement in the application of policies, financial practices and procedures have been noted. AUO will provide an audit report highlighting emerging issues that may require management action.

29. Administrative support. IFAD has developed administrative guidelines and procedures that support a decentralized work environment. These include: procurement guidelines that foresee delegation of authority to division directors for procuring low-value goods and services; and the possibility for these directors to delegate this authority to field staff. The new global travel contract integrates local ticketing with IFAD's travel policy and enterprise resource planning system. IFAD's property policies and procedures have also been revised to incorporate ICOs. Similarly, the Records Management Manual now includes roles and responsibilities for records management at ICOs.

III. Emerging results and development effectiveness

30. A key objective of the country presence strategy is greater development effectiveness of IFAD's operations. Using reports prepared by IOE and Management, this section provides an overview of results and impacts of IFAD's operations in countries with and without country offices. It covers a range of performance indicators in line with IFAD's corporate results measurement framework.[10]

31. The 2015 Report on IFAD's Development Effectiveness.[11] This report confirms that IFAD's country presence has had an overall positive impact on portfolio performance. Over the period 2011-2015, the results of the "quality-at-entry" rating show that on average, countries with country offices perform consistently better than other countries. Comparing the results for ongoing projects, countries with country offices perform better in the areas of project management, sustainability and impact. However, countries without country offices perform slightly better with regard to disbursement rates, implying that there may be other factors at play.

32. This report also highlighted IFAD's progress in reducing the time lag between project approval and first disbursement: for countries with country offices, the lag was reduced from 15.7 months in 2011 to 11.4 months in 2014. In countries without country offices, the reduction was from 17.4 months in 2011 to 14.8 months in 2014.[12]

33. The 2015 Annual Report on Results and Impact of IFAD Operations (ARRI). Prepared by IOE, this report analysed progress in priority areas during IFAD9

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[10] The experiences of organizations such as the African Development Bank, the Asian Development Bank and the World Bank confirm that it is challenging to provide factual evidence of the benefits of country presence and its measurable contribution to improved project performance.
[11] EB 2015/116/R.10.
[12] EB 2013/110/R.5.

(2013-2015), including: overall project achievement, innovation and scaling up, gender equality and women's empowerment, and operational efficiency.[13]

34. Regarding overall project achievement, the ARRI found that while the percentage of projects rated moderately satisfactory or better was similar in countries with country offices and those without (77 per cent), the percentage of projects rated satisfactory was 44 per cent in countries with country offices but only 26 per cent in other countries.

35. With respect to innovation and scaling up, 51 per cent of the projects were rated satisfactory in countries with country offices, compared to only 29 per cent in countries without country offices. With respect to operational efficiency, the ARRI found that in countries with country offices, 62 per cent of the projects were rated moderately satisfactory or better compared to 52 per cent in countries without country offices. Country programme evaluations (CPEs) undertaken during the past four years also confirm that the presence of country offices allows IFAD to engage more effectively in policy dialogue, knowledge sharing and partnership building.

36. Annual client survey. In the annual IFAD client survey,[14] administered since 2008 in 70 countries, 50 per cent of the countries included have a country office. The most recent survey shows that countries with country offices achieve greater aid effectiveness and impact, build more effective partnerships and enable better policy dialogue than countries without country offices.

37. Consultations with outposted CPMs and CPOs confirm that IFAD's presence through country offices enables it to play a more influential role in policies and rural development issues affecting poor rural people. Examples include IFAD's role as chair of rural-sector working groups in Cambodia, Ghana, Indonesia, the Lao People's Democratic Republic, Madagascar and the United Republic of Tanzania. The CPMs also indicated that IFAD's profile and visibility in country offices has considerably improved, rendering it a more effective and trusted partner for governments, civil society and United Nations organizations, and other stakeholders.

IV. Costs – evolution and future implications

38. Costs 2011-2015. IFAD's approach to country presence and the establishment of ICOs has evolved over time; this has had clear cost implications. In the initial stages, the focus of IFAD's country presence was limited to improving portfolio management. For this purpose, one nationally recruited country officer was appointed – often on a consultancy contract or recruited by another United Nations agency – and provided with limited facilities by the host institutions.

39. In subsequent phases of decentralization, the goal of IFAD's country presence was broadened to include policy dialogue, knowledge sharing and broadening partnerships. The goals of the new approach could only be realized by outposting senior internationally recruited staff to manage country offices. Nearly half of the country offices are now managed by internationally recruited CPMs (see paragraph 23). Since the implementation of IFAD's new strategy for country presence, the costs of country offices have increased.

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[13] The findings are presented in more detail in annex IV.
[14] This survey seeks feedback through questions on IFAD's performance in the following areas: adherence to the aid effectiveness agenda; impact on income, food security and empowerment; policy dialogue; and partnership-building. Client feedback is sought from government counterparts, multi- and bilateral donors, and civil society organizations.

Table 1
PMD regional divisions: Annual country office recurrent budget (2011-2015)
(Millions of United States dollars)

Cost category	Approved 2011	Approved 2012	Approved 2013	Approved 2014	Approved 2015
National country office staff costs	3.94	3.62	3.19	3.50	3.82
Non-staff/administrative costs	3.35	3.54	3.86	4.05	4.49
Total	**7.29**	**7.16**	**7.05**	**7.55**	**8.31**

40. The ICO recurrent budget for 2011-2015 (excluding the salaries and benefits of internationally recruited outposted staff) is presented in table 1. Although overall costs have increased, it is evident from table 1 that efforts to contain national staff costs in country offices have been successful. On the other hand, non-staff administrative costs have increased as a result of: (i) the establishment of new country offices; and (ii) the higher administrative costs of CPM-led country offices compared to those led by nationally recruited CPOs. Based on current estimates, the annual administrative costs of offices led by CPOs range from US$50,000 to US$80,000, while the costs of CPM-led offices range between US$130,000 to US$200,000 depending on location and hosting arrangements.

41. Table 2 presents data on the budgeted costs of outposted professional staff of PMD regional divisions. These costs increased from US$4.23 million in 2011 to US$5.87 million in 2015 as more staff have been outposted. These cost increases are not incremental since the increase in outposted staff budgets is directly offset by a reduction in staff budgets at headquarters.

Table 2
PMD regional divisions: Outposted Professional staff
(Millions of United States dollars)

Category	Approved 2011	Approved 2012	Approved 2013	Approved 2014	Approved 2015
Outposted professional staff*	4.23	5.18	5.46	5.00	5.87

* The cost of professional staff positions is not incremental since the positions already exist in the budget (reclassification of existing budgeted positions from headquarters to country offices).

42. 2016 budget. Despite the successful containment of ICO costs to within budgeted amounts during 2011-2015, it became clear during the 2016 budget preparation cycle that increased country presence does entail additional costs. This is consistent with the experiences of other development organizations. The 2016 budget, approved by the Executive Board in December 2015, provides for a US$2 million increase that is directly associated with decentralization (see table 3). Excluding outposted professional staff costs, this represents an increase of 24 per cent in country office recurrent costs between 2015 and 2016.

Table 3
Country office recurrent costs, 2015 and 2016
(Millions of United States dollars)

Cost category	Approved 2015	Approved 2016	Total change	Percentage change
National staff costs	3.82	4.54	0.72	
Non-staff/administrative costs	4.49	4.89	0.40	
Resident coordinator fee	-	0.70	0.70	
Increment in relocation costs	-	0.20	0.20	
Subtotal	**8.31**	**10.33**	**2.02**	**24**
Outposted professional staff	5.87	5.85	(0.02)	
Total	**14.18**	**16.18**	**2.00**	**14**

43. A large proportion of the increased costs (US$700,000) is associated with higher IFAD contributions to support United Nations country-level development coordination through the resident coordinator's office. The increase is accounted for by IFAD's expanded country presence and is expected to continue rising as more country offices are established. The other incremental cost increases have resulted from the costs of increased national staff and associated administrative costs.

Table 4
Expected incremental recurrent country office costs, IFAD10 and IFAD11
(Millions of United States dollars)

Cost category [*]	Approved 2016	Estimated incremental 2017	Estimated incremental 2018	Estimated annual cost 2018
National country office staff costs	4.54	0.30	0.22	5.06
Non-staff/administrative costs	4.89	0.24	0.23	5.36
Resident coordinator fee	0.70	0.10	0.15	0.95
Increment in country office relocation costs	0.20	0.10	0.10	0.40
Depreciation (MOSS equipment)	-	0.05	0.10	0.15
Subtotal	**10.33**	**0.79**	**0.80**	**11.92**
Reduction in headquarters staff costs	-	(0.29)	(0.29)	(0.58)
Total	**10.33**	**0.50**	**0.51**	**11.34**

[*] The cost of professional staff positions has been excluded from the table above since they are not incremental: these positions already exist in the budget (reclassification of existing budgeted positions from headquarters to country offices).

44. Estimated incremental costs for IFAD10. Current projections for incremental costs of opening four new ICOs, and expected increases in resident coordinator fees, relocation costs and depreciation during IFAD10 total US$790,000 for 2017 and US$800,000 for 2018. These incremental costs, totalling US$1.59 million during IFAD10, will be partially offset by efficiency gains at headquarters. The net result is an estimated increase of US$1.01 million during 2017 and 2018.

V. From country presence to corporate decentralization

45. Since the launch of the pilot programme in 2003, IFAD's country presence strategy has evolved considerably. From a narrowly focused programme aimed at assisting in the direct supervision of IFAD-supported projects, it now encompasses many responsibilities at the county level, including portfolio management, policy engagement, knowledge management and partnership-building. The ICOs have also evolved, with nearly half now led by outposted senior CPMs. In the last few years, IFAD has experimented with the establishment of subregional offices responsible for operations in four or five countries.

46. The available data point to the many benefits of IFAD's country presence. On several evaluation indicators, countries with country offices perform better than those without country offices, indicating the greater development effectiveness of IFAD's country presence. And while the incremental costs of country offices have increased as more are opened, IFAD has succeeded in containing these costs. The hosting of offices by other United Nations and international development agencies has undoubtedly helped to make IFAD's country presence cost effective.

47. During 2016, IOE will evaluate IFAD's country presence with the goal of sharing lessons learned and generating recommendations for making the decentralization effort more effective and efficient. IFAD Management plans to submit a corporate decentralization plan to the Executive Board in December 2016. The plan will be informed by both the IOE evaluation and Management's own assessment of IFAD's experience.

48. In presenting this plan to the Board, Management will address issues including:

    (a) The optimal number and mix of country office types, including the "hub-and-spoke model" represented by subregional offices to maximize coverage of IFAD's operations;

    (b) The levels and types of staffing needed in country offices to deliver better performance in critical operational areas and the minimum staffing level needed at headquarters to ensure coherence of policies, procedures and knowledge;

    (c) Required policies and procedures, including a further delegation of authority to support decentralized operations while ensuring that financial and fiduciary controls are in place; and

    (d) The human resources framework needed for career development and mobility of country office staff.

Approved IFAD Country Offices as at 1 February 2016

Region	Number	Country	Year approved by the Executive Board	Operational	Host country agreement
APR	1	Afghanistan	2014	X	X
	2	Bangladesh	2011	✓	X
	3	Cambodia	2011	✓	✓
	4	China	2003	✓	X
	5	India	2003	✓	✓
	6	Indonesia	2011	✓	✓
	7	Lao People's Democratic Republic	2012	✓	✓
	8	Myanmar	2014	X	X
	9	Nepal	2008	✓	✓
	10	Pakistan	2008	✓	X
	11	Philippines	2009	✓	X
	12	Sri Lanka	2008	✓	X
	13	Viet Nam	2004	✓	✓
APR total				**11**	**6**
ESA	1	Burundi	2012	✓	✓
	2	Ethiopia	2004	✓	✓
	3	Kenya	2008	✓	✓
	4	Madagascar	2008	✓	✓
	5	Malawi	2011	X	✓
	6	Mozambique	2008	✓	✓
	7	Rwanda	2008	✓	✓
	8	Uganda	2008	✓	✓
	9	United Republic of Tanzania	2003	✓	✓
	10	Zambia	2009	✓	✓
ESA total				**9**	**10**
LAC	1	Bolivia (Plurinational State of)	2008	✓	X
	2	Brazil	2008	✓	X
	3	Colombia	2014	X	✓
	4	Guatemala	2011	✓	X
	5	Haiti	2004	✓	X
	6	Panama*	Prior to 2003	X	✓
	7	Peru	Prior to 2004	✓	✓
LAC total				**5**	**3**
NEN	1	Egypt	2004	✓	✓
	2	Kyrgyzstan	2014	X	X
	3	Morocco	2014	✓	✓
	4	Sudan	2003	✓	X
	5	Turkey	2014	X	X
	6	Yemen	2003	✓	X
NEN total				**4**	**2**
WCA	1	Benin	2012	X	X
	2	Burkina Faso	2008	✓	✓
	3	Cameroon	2009	✓	✓
	4	Chad	2014	X	X
	5	Cote d'Ivoire	2014	✓	✓
	6	Democratic Republic of the Congo	2003	✓	✓
	7	Ghana	2008	✓	✓
	8	Guinea	2008	✓	✓
	9	Liberia	2014	X	X
	10	Mali	2011	✓	✓
	11	Niger	2011	✓	✓
	12	Nigeria	2004	✓	✓
	13	Senegal	2003	✓	✓
	14	Sierra Leone	2013	✓	✓
WCA total				**11**	**11**
IFAD total	**50**			**40**	**32**

*The Panama country office closed in 2013 and will be replaced in the future based on the current criteria.
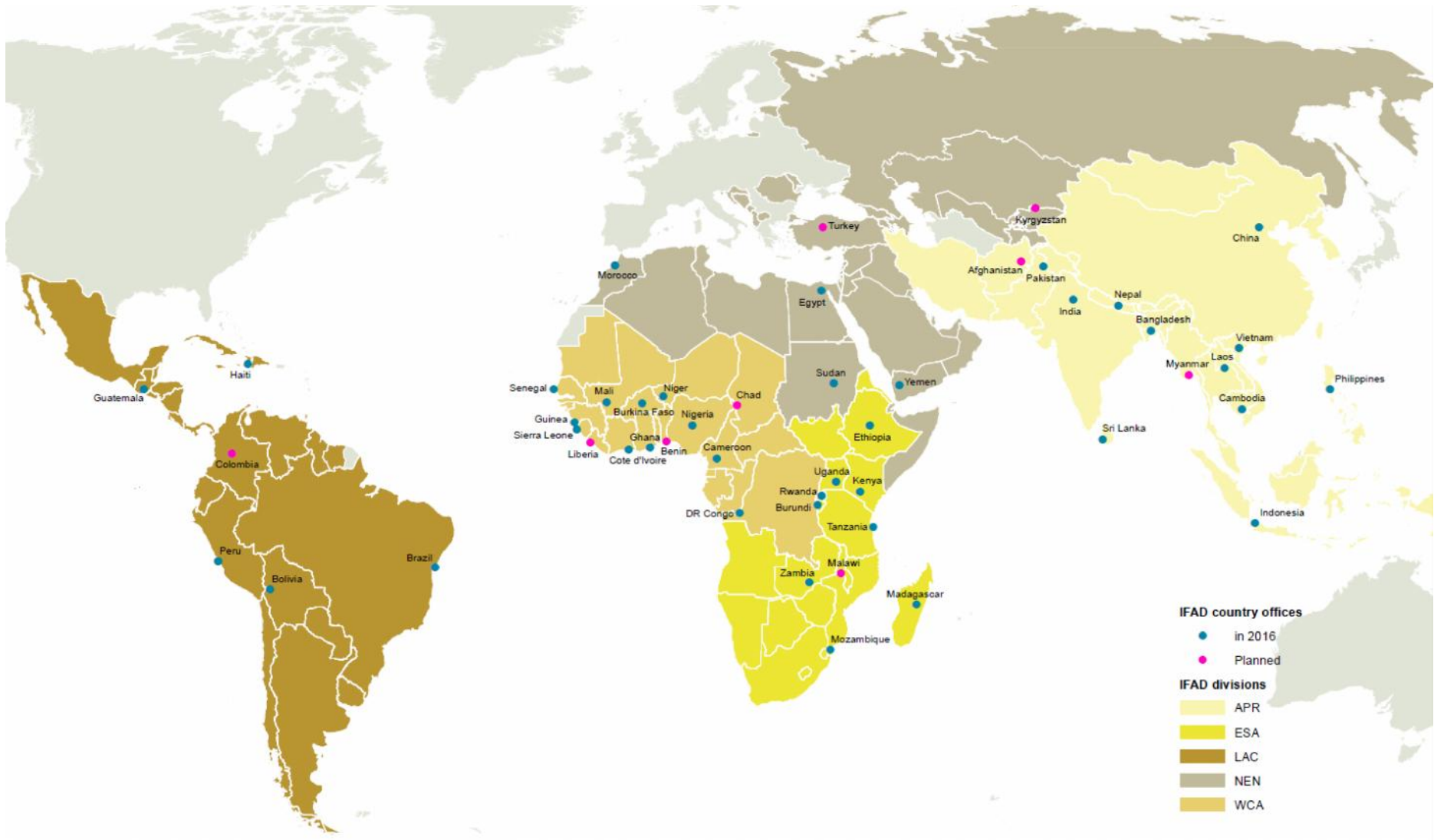
APR: Asia and the Pacific Region Division   NEN: Near East, North Africa and Europe Division
ESA: East and Southern Africa Division   WCA: West and Central Africa Division
LAC: Latin America and the Caribbean Division

IFAD country offices

- ● in 2016
- ● Planned

IFAD divisions

- APR
- ESA
- LAC
- NEN
- WCA

Description of subregional hubs

1.   **Subregional hub Guatemala.** The Guatemala subregional hub is the Latin America and the Caribbean Division's (LAC) first regional office (followed by Peru). In establishing a hub in Guatemala, IFAD took into account geography, connectivity, similarities within the subregion, size of countries, size of portfolios, risks, hardship conditions in particular countries and potential economies of scale.

2.   The hub covers the country portfolios of Belize, El Salvador, Guatemala, Honduras and Panama, and is supervised by two outposted CPMs – one P-5-level subregional coordinator/CPM and one P-4-level CPM. The hub also employs a national officer, a CPO and a country programme assistant (CPA). At this time, no technical specialists from other divisions are located in the hub. A programme analyst and programme assistant at headquarters support the hub on an as-needed basis and act as liaisons to meet the needs of the office and its respective portfolios.

3.   LAC created the hub in order to provide a higher level of attention to countries in the region while avoiding the creation of offices in countries with few projects and limited administrative budgets.

4.   AUO issued the first audit report related to an IFAD hub in December 2014 on the Guatemala subregional hub. Overall, the audit found that the Guatemala hub performed well with respect to: compliance with corporate requirements; adequacy of services; the relationship with its host agency (UNDP); and its interaction with other partners in Guatemala and the development community at large.

5.   A number of good practices were highlighted in the report for consideration as tools to be replicated and shared with other regions. One example is decentralization of budget management to the CPM, including the use of IFAD's corporate system for budget management and the transactions related to the programme portfolio. Second, LAC was the first region to introduce a local travel agent, which demonstrated positive results in terms of procedural efficiency and budget management. Other factors contributing to the effectiveness of the hub include a collaborative and positive team approach, detailed forward planning and good interaction (facilitated through video conferencing) with headquarters.

6.   **South-east Asia subregional hub, Viet Nam.** The South-east Asia hub serves five countries with 147 million rural people (see annex III). The hub is staffed by the Viet Nam Country Director, the CPM for Cambodia and Thailand, a CPO covering fiduciary matters and administration, and a General Service staff member. The hub also includes one headquarters-based CPM for Myanmar and CPOs located in Cambodia and the Lao People's Democratic Republic. This hub supports 13 of 65 ongoing projects. With a total investment of US$350 million and cofinancing of US$306 million, IFAD is a significant international financial institution in these countries.

7.   The sub-regional hub approach offers APR a clear structure for daily management, leveraging P-5-level skills and experience across the subregion, with CPOs and a programme officer providing support across countries and sharing responsibilities. This approach enables a more flexible delivery model, with staff assuming varied responsibilities in multiple countries. A good example of this flexibility is the Country Director for Viet Nam, who recently assumed leadership for designing projects in the Lao People's Democratic Republic.

Annual Report on Results and Impact of IFAD Operations (ARRI) 2015: Comparing performance of countries with and without country offices

1. The 2015 ARRI analysed project performance in selected priority areas for IFAD9. These included: innovation and scaling up, gender equality and women's empowerment, operational efficiency, performance of fragile states and country-level decentralization.

2. As shown in table 5, the percentage of projects rated as moderately satisfactory or better for overall project achievement is similar (77 per cent) in countries with and without country offices.

3. However, a more detailed analysis reveals a higher proportion of projects rated satisfactory in countries with country offices: 44 per cent of projects in countries with country offices were rated satisfactory compared to 26 per cent in countries without country offices.

Table 5
Overall project achievement by year of completion
(Percentage of projects rated moderately satisfactory or better)
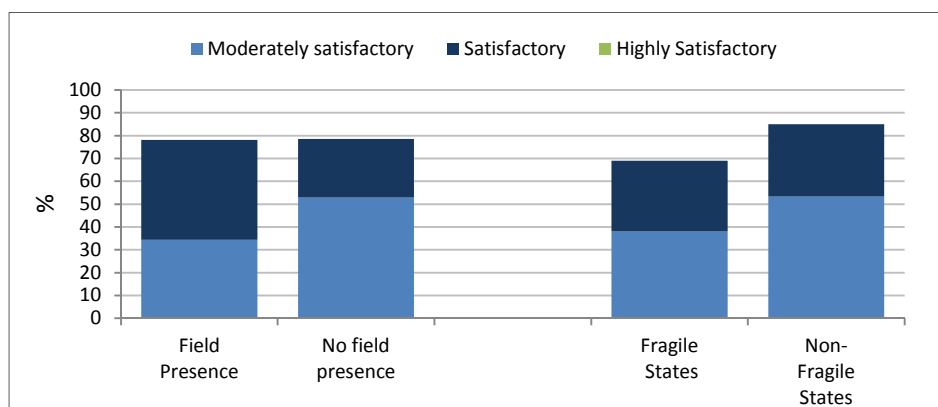
4. For innovation and scaling up, table 6 below illustrates that projects implemented in countries with country offices had a larger proportion of highly satisfactory ratings than projects without country offices. In addition, 53 per cent of projects were rated satisfactory for innovation and scaling up in countries with country offices compared to 29 per cent in countries without country offices.

Table 6
Innovation and scaling up
(Percentage of projects rated moderately satisfactory or better)
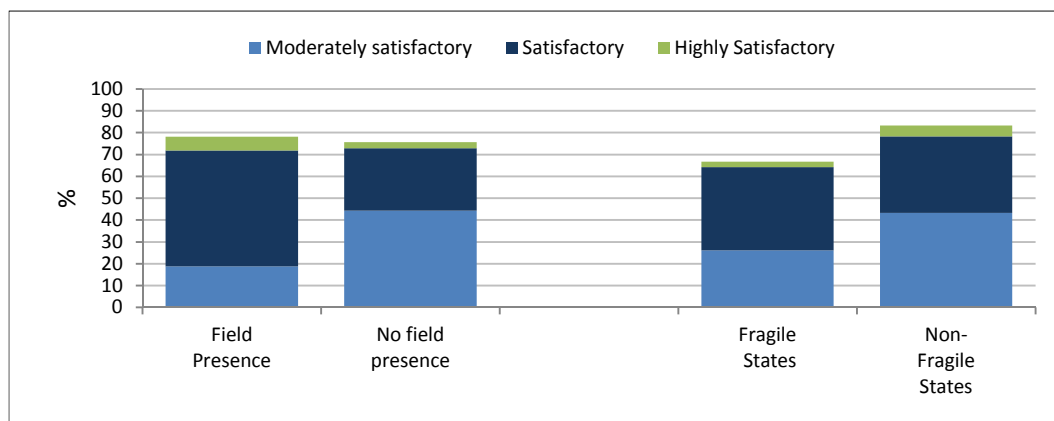
5.   When assessing performance related to gender equality and women's
        empowerment (table 7), projects in countries with country offices received a higher
        proportion of highly satisfactory ratings (9 per cent) than did countries without
        country offices (3 per cent). Moreover, projects in countries with country offices had
        a considerably larger proportion of satisfactory ratings (47 per cent) than those
        without country offices (32 per cent). One explanation for better performance in
        countries with country offices is that several of these offices have a dedicated staff
        member or consultant responsible for gender mainstreaming.

Table 7
Gender equality and women's empowerment
(Percentage of projects rated moderately satisfactory or better)
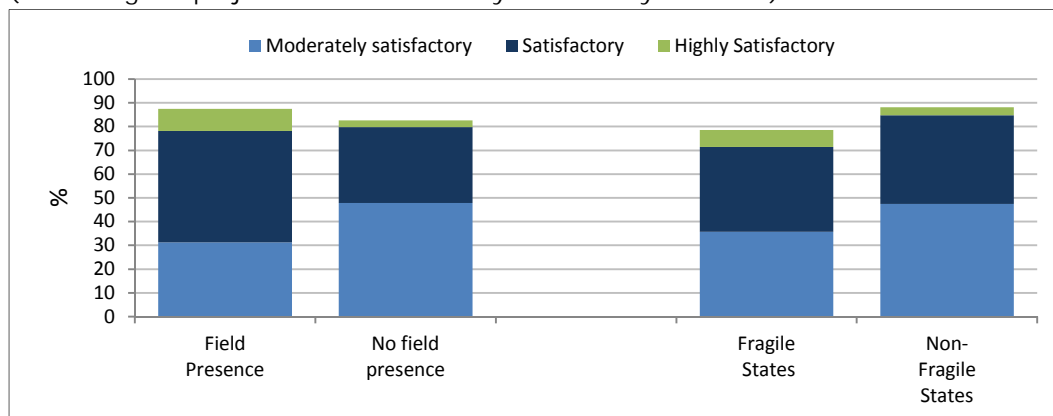
6.   In addition to the findings summarized above, the ARRI analysed the relationship
        between country offices and operational efficiency. This analysis revealed that
        operational efficiency is better in countries with country offices (62 per cent rated 4
        or better) than in countries without country offices (52 per cent rated 4 or better).

7.   This analysis confirms many CPE findings that country offices are critical drivers of
        better operational results that contribute to the enhanced development
        effectiveness of IFAD's country programmes.

8.   These CPEs also confirm that the presence of country offices allows IFAD to engage
        more actively in policy dialogue, knowledge sharing and partnership-building. For
        example, the Bangladesh CPE revealed that setting up a country office in Dhaka has
        been a positive move in strengthening project implementation and improving
        partnerships with the Government, the United Nations Country Team and other
        development partners.

Monitoring framework for country offices[*]

Category	Indicator		Purpose/target	Achieved
Outreach and scaling up	1.1	Number of countries covered by country offices	50 by 2015	40 (2015)
	1.2	Number of projects and value of IFAD financing in countries with country offices	Percentage of total portfolio	63% and 78%
	1.3	Number of IFAD-financed projects scaled up by government or other donors	Tracked	49 activities
Country programme development	2.1	Number of design missions in which country office staff participate	100 per cent	100 per cent
	2.2	Number of COSOPs in which country office staff participate	100 per cent	100 per cent
Project implementation	3.1	Period between approval and entry into force	Reduction from 2012	6.6 m (6.6m)
	3.2	Months between approval and first disbursement	Reduction from 2012	11.1 m (15.3 m)
	3.3	Number of supervision/implementation support missions in which country office staff participate	100 per cent	80-100 per cent
	3.4	Percentage of financing disbursed as a percentage of disbursable funds	Increase from 2012 average of 15 per cent	13%
	3.5	Days between submission of withdrawal application and disbursement	Reduction from 2012 average	17 days (28 in 2011)
	3.6	Project status report ratings for selected fiduciary aspects	Improvement from 2012 average	4.02
Partnership-building	4.1	Cofinancing (domestic and external) as a percentage of total project costs	Tracked	60%
	4.2	Enhanced harmonization of IFAD programmes with other donors	Client survey	4.81(2015)
Policy dialogue	5.1	Number of national forums at which IFAD is represented: 5.1.1 Government 5.1.2 Donor	Tracked	70 80
	5.2	Enhanced alignment of IFAD programmes with national mechanisms and objectives for rural poverty reduction	Client survey	5.22 (2015)
	5.3	Policy changes as a result of IFAD interventions that address rural poverty issues and changes	Tracked	42
Knowledge management and innovation	6.1	Number of in-country country programme management teams	At least one per year	76
	6.2	Number of annual reviews of country programmes	100 per cent	100%
Country office management	7.1	Number of country offices approved	Executive Board approvals	50
		7.1.1 Functional	Staff contracted, host agency agreement signed	97 and 32
	7.2	Country office costs available – administrative and programme	Complete by end-2014	Available and reconciled
	7.3	Number of local staff with IFAD direct contracts	100 per cent of CPOs/CPA in countries with HCA	100%
	7.4	Number of international staff posted to country offices	Tracked	20 CPMs
	7.5	Number of country office bank accounts	Tracked	2
		7.5.1 Opened	percentage of those requested	100%
		7.5.2 Reconciled monthly	100 per cent of accounts opened	100%

* This monitoring framework will be revised as it becomes part of corporate decentralization plan, which will be submitted to the Executive Board in December 2016.