

Document: EB 2019/126/R.5/Rev.1
Agenda: 3(c)
Date: 2 May 2019
Distribution: Public
Original: English

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Investing in rural people

Setting Targets for the IFAD11 Results Management Framework: Institutional Efficiency and Decentralization

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Recommendation for approval

The Executive Board is invited to approve the proposed targets related to the IFAD11 Results Management Framework indicators 3.6.1, 3.6.3, 3.7.1, 3.7.2, 3.7.3 and 3.7.4 as contained in the document herein.

Setting Targets for the IFAD11 Results Management Framework: Institutional Efficiency and Decentralization

I. Background

1. At the Governing Council session in February 2018, the Report on the Consultation of the Eleventh Replenishment of IFAD's Resources (IFAD11)¹ was adopted by IFAD Member States. In adopting the report, Member States agreed on a Results Management Framework (RMF) for the Fund covering 2019-2021 and including a range of indicators and associated targets.
2. As part of the commitments for IFAD11, Management will fine-tune the RMF in cooperation with Member States and return to the Executive Board with proposed updates as necessary.
3. This is the first planned update on setting the missing targets for IFAD11 Results Management Framework indicators in Tier III (operational and organizational performance). Specifically, these relate to decentralization (3.6.1 and 3.6.3) and institutional efficiency (3.7.1, 3.7.2, 3.7.3 and 3.7.4) as elaborated below.

II. Targets for decentralization and institutional efficiency

4. As indicated in the RMF presented in the report on the IFAD11 Consultation, the remaining targets related to six indicators on decentralization and institutional efficiency would be informed by IFAD's ongoing change and reform agenda.
5. With the decentralization exercise now complete and the 2019 budget approved at the forty-second session of the Governing Council, Management has forecasted targets on the six indicators related to decentralization and efficiency. These calculations have been made based on the definitions included in the agreed RMF for IFAD11, which is presented in annex I.
6. In setting the targets, the following assumptions were used:
 - (i) IFAD's administrative budget grows in line with inflation. Inflation was set at 1.96 per cent² each year for IFAD11 in line with the IFAD financial model.
 - (ii) The levels of IFAD's programme of loans and grants and (PoLG) and programme of work (PoW) were estimated based on IFAD11 targets, including cofinancing targets and historical trends in mobilizing supplementary funds³ and other IFAD-managed resources.
 - (iii) Disbursements were forecasted on the basis of historical trends.
 - (iv) Targets for efficiency indicators were set for a rolling three-year period to smooth out any annual fluctuations.

¹ IFAD11/4/R.2/Rev.1.

² This is calculated as the 5-year average of the International Monetary Fund's consumer price index projection for the G7 countries.

³ While it is expected that additional supplementary funding will be mobilized over the IFAD11 period, the current projects are based on materialized historical supplementary funds.

- (v) Additional resources that could potentially be mobilized during the IFAD11 period through supplementary funds and IFAD-managed cofinancing resources (beyond IFAD11 targets) have not been factored into the calculations.
7. The IFAD11 midterm review may reassess these targets, particularly in the event of significant deviations from the assumptions, such as PoLG, PoW and disbursement levels beyond historical trends, or budget growth beyond inflation for servicing increased delivery.
- 3.6 Decentralization
8. Management shared a detailed breakdown of the decentralization and the accompanying framework for delegation of authority with the Executive Board at its 125th session (EB/2018/125/Rev 2). IFAD targets have therefore been set on the basis of this updated information on decentralization as well as informed by the revision of the delegation of authority framework.
9. These indicators reflect progress with reengineering the country-based model through greater decentralization in order to maximize IFAD's contribution to the 2030 Agenda. They also reflect IFAD's increased proximity to rural areas and increased engagement in policy dialogue and partnership-building. The percentage of the supervision and implementation budget utilized through IFAD Country Offices (ICOs) and regional hubs reflects IFAD's increased capacity to strengthen country programming, improve project performance through continuous implementation support and leverage its core resources with other entities.

	<i>Indicator</i>	<i>Source</i>	<i>Baseline (2016)</i>	<i>IFAD11 target (end 2021)</i>	<i>IFAD10 target (end 2018)</i>
3.6.1	Ratio of budgeted staff positions in ICOs and regional hubs	Corporate databases	18% ⁴	33% ⁵	N/A ⁶
3.6.3	Percentage of supervision/implementation support budget utilized through ICOs and regional hubs	Corporate databases	N/A ⁷	70% ⁸	N/A

10. Of the two indicators mentioned above, 3.6.1 has been retained from the IFAD10 RMF. However, the methodology for its calculation has changed for the IFAD11 period. The IFAD10 target was set at 45 per cent, which was measured as the share of country programme staff out of all out-posted PMD regional divisions. To reflect the Fund's holistic decentralization approach as opposed to a simply decentralizing a department, this indicator now measures the share of fixed-term staff positions in ICOs and regional hubs out of all fixed-term staff positions funded by the regular budget. Based on the revised methodology, the baseline for this indicator was recalculated at 18 per cent and the IFAD11 target has been set at 33 per cent – a significant increase from the baseline.

⁴ This is based on actual staff numbers at the end of 2016 prior to commencement of the accelerated decentralization exercise.

⁵ This is the percentage of the forecasted positions in 2019 for ICOs and regional hubs (209) to the forecast of all fixed-term positions in IFAD (632.5). For IFAD11, the same numbers or similar commensurate increases in both forecasts are assumed in order to maintain the percentage.

⁶ This was initially 45, but was changed to N/A following the revised calculation methodology for the IFAD11 period.

⁷ The baseline was incorrectly stated at 60 per cent. Since this is a new indicator, no baseline exists.

⁸ The Programme Management Department (PMD) accounts for 85 per cent of this budget and regional divisions account for 74 per cent. The figure assumes the share of supervision budget managed by PMD either remains the same or increases. However, on the assumption that there will be a steady increase in budget delivered through regional hubs (including by non-PMD divisions, i.e. the Sustainable Production, Markets and Institutions Division; Environment, Climate, Gender and Social Inclusion Division; and Financial Management Services Division), the target of 70 per cent of non-staff supervision and implementation support budget being delivered through regional hubs by 2021 is reasonable. "Used through ICOs/hubs" means that funds are allocated to regional hub sub-cost centres and managed by a budget holder based in the hub/ICO. The figure used in reporting will take into consideration internal budget transfers made to hub cost centres during the year".

11. Indicator 3.6.3 is new and has been included in the IFAD11 RMF for the first time. In light of IFAD's revised delegation of authority framework – an IFAD11 commitment – the IFAD11 target for this has been set at 70 per cent. It will be measured as a share of the supervision and implementation support budget managed by ICOs and regional hubs.

3.7 Institutional efficiency

12. During the IFAD10 period, IFAD's institutional efficiency improved and this trend is expected to be sustained through IFAD11. This improvement comes against the backdrop of significant internal reforms aimed at making the organization more effective in delivering on the substantial IFAD11 agenda and an increased PoLG grants (US\$3.5 billion).
13. Going forward, Management intends to leverage IFAD's increased delivery capacity resulting from the ongoing reforms, and additional sources of financing to expand the PoLG whenever possible while maintaining relatively low levels of budget growth. As already mentioned, these calculations do not take into account potential increases in supplementary funds and international and domestic cofinancing mobilized during IFAD11 (beyond those already committed). As a result, it is expected that continuous improvement in the Fund's efficiency ratios will be achieved over time, noting initial higher costs to set up the new hub structure, including in future replenishment periods.

	<i>Indicator</i>	<i>Baseline (2016)</i>	<i>IFAD11 target (end 2021)</i>	<i>IFAD10 target (end 2018)</i>	<i>IFAD10 actual (rolling three-year 2016-2018)</i>
3.7.1	Ratio of IFAD's administrative expenditure to the PoLG	13.1%	12.9%	8.2 (12.2% with proposed new formula)	12.9%

14. IFAD's ratio of administrative expenditure to efficiency improved from 16.8 per cent in 2014 to 12.7 per cent in 2018. IFAD's 2019 results-based programme of work and regular and capital budgets document⁹ indicated that this ratio has decreased further despite the 9 per cent total cost of the PoLG in 2019. At the same time, projections show that the ratio of efficiency indicator 3.7.1 for the entire IFAD11 period (rolling three-year average) would be similar to that of IFAD10, at 12.9 per cent, given the initial higher costs to set up the new hub structure. This is despite IFAD's increased investments in decentralization, reform and new initiatives that may only yield savings in the medium term. Maintaining a similar efficiency ratio throughout the IFAD10 and IFAD11 periods would provide a solid baseline for improved efficiency ratios in IFAD12, with increased resource mobilization and programme delivery.
15. The trend of improving efficiency, as highlighted by the ratio of 12.7 per cent in 2018, indicates a likelihood that the Fund will surpass its proposed targets for IFAD11. However, the preference is for these targets to reflect three-year rolling actuals rather than the last year in a replenishment cycle.

	<i>Indicator</i>	<i>Baseline (2016)</i>	<i>IFAD11 target (end 2021)</i>	<i>IFAD10 target (end 2018)</i>
3.7.2	Ratio of actual administrative expenditures (including expenditures financed by management fees) to IFAD's PoW (PoLG and cofinancing)	6.5%	6.0%	15.2 (6.6% with proposed new formula)

16. The IFAD11 target for indicator 3.7.2 – the ratio of actual administrative expenditures to IFAD's PoW (PoLG plus cofinancing) is proposed at 6.0 per cent. This is an improvement over the baseline and the revised calculation for the

⁹ GC 42/L.6.

IFAD10 period. In line with the IFAD11 business model, Management is committed to expanding IFAD's role as an assembler of development finance, as reflected in cofinancing targets for the IFAD11 period. The proposed ratio has been calculated on the basis of the IFAD11 cofinancing target.

	<i>Indicator</i>	<i>Baseline (2016)</i>	<i>IFAD11 target (end 2021)</i>	<i>IFAD10 target (end 2018)</i>	<i>IFAD10 actual (rolling three year 2016-2018)</i>
3.7.3	Ratio of actual administrative expenditures (including expenditure financed by management fees) to annual disbursements	18.1%	16.0%	5.5 (18.2% with proposed new formula)	16.1%

17. IFAD's ratio of actual administrative expenditures to annual disbursements has declined steadily since 2014, when it was 18.9 per cent. The IFAD11 target is proposed at 16.0 per cent. This is an improvement over the baseline and is also better than the IFAD10 average. Management has committed to fully implementing the disbursement action plan as part of the IFAD11 commitments, as reflected in the 16 per cent disbursement ratio target for IFAD11.

	<i>Indicator</i>	<i>Baseline (2016)</i>	<i>IFAD11 target (end 2021)</i>	<i>IFAD10 target (end 2018)</i>	<i>IFAD10 actual (rolling three year 2016-2018)</i>
3.7.4	Ratio of the actual administrative expenditures to the ongoing portfolio of loans and grants ¹⁰	2.27% ¹¹	2.1%	N/A	2.2%

18. In 2016, the ratio of administrative expenditures to the ongoing portfolio was introduced in order to measure the amount of IFAD's portfolio managed per United States dollar expenditure. While this was not included in the IFAD10 RMF and therefore does not have an end-of-IFAD10 target, it has been tracked and reported on through the Fund's budget documents. The proposed IFAD11 target of 2.1 per cent is an improvement over the IFAD10 average of 2.2 per cent.

III. Timeframe for setting the remaining targets for the Results Management Framework for IFAD11

19. As agreed with Member States in the IFAD11 RMF, targets and baselines for the new core indicators 2.3.5, 2.3.6 and 2.3.11 to 2.3.16 will be set in 2020.¹² These core indicators have been retrofitted into the existing portfolio and are being mainstreamed in newly designed operations. Management expects to have sufficient data on them by 2020 to set baselines and project targets for IFAD11.
20. As part of IFAD11, Management has committed to revamping the existing client survey in 2019 in order to increase its effectiveness for collecting information on IFAD's performance as perceived by in-country partners. Following testing of the new survey in 2019, targets for the indicators 3.3.1 and 3.3.3 to 3.3.6¹³ on country programme performance will be established in consultation with the Executive Board. Reporting on the first year of the IFAD11 RMF will be included in the 2020 Report on IFAD's Development Effectiveness (RIDE). The revamped survey will be used to report on performance in IFAD country programmes in the RIDE.

¹⁰ The wording has been revised to align it with the other efficiency-related indicators.

¹¹ The baseline was incorrectly stated at 1.8 per cent.

¹² The list of indicators can be found in annex II.

¹³ The list of indicators can be found in annex II.

Tier III – Operational and organizational performance

<i>Code</i>	<i>Indicator name</i>	<i>Data source</i>	<i>Definition</i>
3.6	Decentralization		
3.6.1	Ratio of budgeted staff positions in ICOs/regional hubs (percentage)	Corporate databases	Ratio of total positions in ICOs and regional hubs divided by total number of positions (administrative budget only)
3.6.3	Percentage of supervision/implementation support budget used through ICOs and regional hubs	Corporate databases	Share of supervision/implementation support budget used for portfolios managed by ICOs and regional hubs
3.7	Institutional efficiency		
3.7.1	Ratio of IFAD's administrative expenditure to the PoLG	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding the Independent Office of Evaluation of IFAD [IOE]) divided by PoLG funds committed by IFAD inclusive of loans, DSF and other grants, and ASAP and other (supplementary) funds managed by IFAD in the reporting period (36-month rolling average)
3.7.2	Ratio of actual administrative expenditures (including expenditures financed by management fees) to IFAD's PoW (PoLG and cofinancing)	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding IOE), divided by programme funds committed by IFAD inclusive of loans, DSF and other grants, ASAP and other (supplementary) funds managed by IFAD and the corresponding international and domestic cofinancing, in the reporting period (36-month rolling average)
3.7.3	Ratio of actual administrative expenditures (including expenditure financed by management fees) to annual disbursements	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding IOE), divided by programme funds disbursed by IFAD inclusive of loans, DSF and other grants, and ASAP and other (supplementary) funds managed by IFAD (36-month rolling average)
3.7.4	Ratio of the administrative budget to the ongoing portfolio of loans and grants	Corporate databases	Actual expenses incurred under the administrative budget and other resources under IFAD's management (excluding IOE), divided by the current programme of loans and grants (from approval to closing) inclusive of loans, DSF and other grants, and ASAP and other (supplementary) funds managed by IFAD (36-month rolling average)

IFAD11 - RMF targets and baselines Tier II – Development results

2.3	Project-level outcomes and outputs		2016	IFAD11 target (end 2021)	IFAD10 range
2.3.5	Number of persons/households provided with targeted support to improve their nutrition (millions) (Sustainable Development Goal [SDG] 2.2)	Core indicators Results and Impact Management System (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.6	Percentage of women reporting improved quality of their diets (SDG 2.2)	Core indicators (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.11	Number of groups supported to sustainably manage natural resources and climate-related risks (SDG 13.1)	Core indicators (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.12	Number of persons accessing technologies that sequester carbon or reduce greenhouse gas emissions (SDG 13.2)	Core indicators (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.13	Number of persons/households reporting adoption of environmentally sustainable and climate-resilient technologies and practices	Core indicators – outcome level (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.14	Number of hectares of land brought under climate-resilient management (SDG 13.1)	Core indicators (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.15	Number of tons of greenhouse gas emissions (CO2) avoided and/or sequestered	Core indicators – outcome level (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A
2.3.16	Number of persons whose ownership or user rights over natural resources have been registered in national cadasters and/or geographic information management systems (SDG 1.4)	Core indicators (RIMS)	New indicator. Baseline will be provided in 2020.	To be produced in 2020	N/A

Tier III - Operational and organizational performance

3.3	Performance of country programmes		2016	IFAD11 target (end-2021)	IFAD10 target
3.3.1	Relevance of IFAD country strategies (ratings of 4 and above) (percentage)	Client surveys and country strategic opportunities programme completion reviews (CCRs)	N/A	TBD	N/A
3.3.3	Effectiveness of IFAD country strategies (ratings of 4 and above) (percentage)	Client surveys and CCRs	N/A	TBD	N/A
3.3.4	Partnership building (ratings of 4 and above) (percentage)	Client surveys and CCRs	100	TBD	90
3.3.5	Country-level policy engagement (ratings of 4 and above) (percentage)	Client surveys and CCRs	100	TBD	85
3.3.6	Knowledge management (ratings of 4 and above) (percentage)	Client surveys and CCRs	N/A	TBD	N/A