



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Seventy-Seventh Session

Rome, 10-11 December 2002

A PROPOSAL TO ENHANCE IFAD'S FIELD PRESENCE
BY STRENGTHENING IN-COUNTRY CAPACITY

A. Introduction

1. Document GC 24/L.3 (Partnerships for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD 2000-2002) called for action to enhance project impact, undertake policy dialogue, promote knowledge management and build partnerships. It also identified IFAD's lack of representation in its borrowing countries as a growing constraint on implementing these recommendations. Document REPL.VI/3/R.2 (External Review of the Results and Impact of IFAD Operations) recommended that IFAD consider country presence on a selective basis. This topic was also discussed during the sessions of the Consultation on the Sixth Replenishment of IFAD's Resources held in April, July and October 2002. The Secretariat undertook to research the issue in detail and to assemble relevant information on (i) the field presence of development partners; (ii) IFAD's initiatives to strengthen the links between headquarters and borrowing countries; and (iii) the costs related to different mechanisms to enhance field presence.

2. The present document is intended to provide Executive Directors with an overview of the findings and recommendations resulting from the above activities and submit for their consideration a proposal for action to enhance IFAD's role and capacity at country level.

B. Background

3. When IFAD started its operations in 1978, it was with the objective of mobilizing "... additional resources to be made available on concessional terms for agricultural development in developing Member States" by providing financing "primarily for projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies ...".¹ Moreover, IFAD's Lending Policies and Criteria, adopted by the Governing Council in 1978, identified small farmers and the landless as the Fund's major target group.

¹ Agreement Establishing the International Fund for Agricultural Development, Article 2.



4. This basic mandate has remained unchanged since IFAD's early years and was confirmed by the 1994 external assessment and the Governing Council of 1995. In addition, however, IFAD has been asked to assume a more diversified role as a catalyser of resources for the rural poor, by enhancing its activities in the fields of policy dialogue, partnership building and knowledge management. The founding members had ruled that these activities would, to a significant extent, be entrusted to other agencies:

“Project identification and preparation are normally the primary responsibility of the government seeking IFAD funds. The Fund will secure, where necessary, the services of other international or regional institutions to assist the countries in the identification and preparation of projects. The Fund, while utilizing the services of international and regional institutions in project appraisal and the supervision of project implementation, will itself actively participate in these activities, in order to ensure the observance of its lending policies and criteria”.²

5. Experience has shown that to comply with its specific mandate of assisting poor rural producers as stipulated in the documents mentioned above, IFAD has to be closely involved at all stages of the project cycle. The Fund has, therefore, increasingly taken over the responsibility of project design and participated to the extent possible in the supervision activities of its cooperating institutions (CIs). It has, moreover been given by its Governing Bodies the authority to supervise directly 15 projects on a pilot basis.

6. In addition, IFAD has found evolving trends in the approach of other donors, characterized by greater attention to sector support, increasing decentralization and emphasis on national ownership, in particular of the poverty-reduction strategy process. In this connection, some Member States have expressed regret about IFAD's absence from country-based initiatives and the lack of continuous IFAD input into policy discussions with governments and among development agencies. IFAD therefore has been encouraged³ to strengthen its in-country capacity so as to play more effectively the role of innovative partner and pathfinder in rural poverty reduction, for which its experience and in-depth knowledge make it particularly suited. Recipient governments are also increasingly requesting IFAD to contribute to policy discussions and provide inputs into country-led strategy development. IFAD should do this not by copying traditional models (see paragraph 7), but by identifying innovative mechanisms that ensure that the interests of poor rural populations are taken into account at all levels and that this is done by relying to the extent possible on capacity internal to the countries concerned.

C. Present Situation and Needs

7. There is a long history of development agencies being present in developing countries on a permanent basis. A review of the prevailing practices of multilateral and bilateral agencies, development banks and non-governmental organizations (NGOs) has revealed that this approach still persists, although much of the justification for it (e.g. the lack of qualified local manpower and of an adequate communications infrastructure) is no longer valid. Existing field offices are rarely closed down and, despite the cost of such an approach, some agencies are even intensifying their physical presence at the regional or country level. The way they are doing so has, however, evolved over the years. There is now greater decentralization of responsibilities, with field offices allocated functions once belonging to headquarters such as operations management, policy dialogue and, in some cases, resource allocation, in addition to their original tasks of representation and logistics support. The delegation of authority on resource decisions, in particular, has clear implications in the context of IFAD's endeavours to promote cofinancing of its projects and programmes. Moreover, country

² Lending Policies and Criteria, Chapter V.

³ Non-Paper on IFAD's In-Country Capacity (Field Presence), distributed during consultation meeting, October 2002.



offices tend increasingly to be staffed with nationals rather than with outposted headquarters staff or specifically recruited international personnel. This tendency reflects both the greater local availability of qualified personnel and the increasing need to adopt a cost-conscious approach. In recent years, most development agencies have intensified their use of modern information and communication methods to strengthen their physical links with countries and regions. It is unusual to find an organization without a corporate website or a field office without email access. These and other information technology (IT) tools are used to rationalize processes, cut costs and facilitate contacts between headquarters and country/regional offices, and with partners in general.

8. Although IFAD's basic documents, such as the Agreement Establishing IFAD and the Lending Policies and Criteria, do not provide for any permanent physical field presence (e.g. in the form of country offices), the Fund can nevertheless benefit, through its loan and grant activities, from different types of virtual support networks in the countries and regions where it operates. In addition to maintaining direct contacts with countries and target groups during staff missions, IFAD has established a number of indirect and proxy links of both a temporary and permanent nature. Missions by staff and consultants from IFAD and its CIs represent the main temporary links. More medium- and long-term mechanisms include informal collaboration with focal points and contacts in the countries/regions, and regular collaboration with subregional or local consultants or NGOs for the follow-up of specific projects or country programmes. IFAD also collaborates increasingly with local resource groups for specific tasks such as project evaluation; and it has some experience in setting up such resource groups on a permanent basis, for example to support project implementation or knowledge sharing. In some countries, IFAD has encouraged ongoing projects to establish administrative liaison offices to facilitate implementation. This is particularly opportune in cases where projects are located outside of the capital. Project managers/coordinators can also be requested to act as a link to government or provide up-to-date country information. There are, furthermore, selected instances where IFAD benefits from office facilities of another agency, and one case of locating an outposted IFAD staff member in the regional CI office. Occasionally, additional support to projects and other partners, including governments, is provided through subregional and regional programmes for training, capacity-building, networking and regular technical support.

9. IFAD has thus initiated and piloted – albeit in an ad hoc manner – various innovative mechanisms aimed at strengthening its capacity in recipient countries.⁴ The tools used vary according to the needs of the country and the purposes they are meant to serve. Thus local consultants on full-time or retainer contracts and administrative project liaison offices have proven to be adequate tools to facilitate project implementation and provide logistic support to visiting missions. On the other hand, functions related to the policy level, in most countries, can best be executed by visiting staff members, or regional networks created specifically for this purpose, such as the Southern Cone Common Market (MERCOSUR). Knowledge sharing can be supported by local resource groups or electronic networks. Examples of the latter are Electronic Networking for Rural Asia/Pacific (ENRAP); the network of IFAD-supported projects in Latin America and the Caribbean, FIDAMERICA; and the regional network in Western and Central Africa, FIDAFRIQUE. The costs of such physical and virtual links vary widely, reflecting *inter alia* the relative scarcity of human resources and communication infrastructure in the different regions. Annual expenditure may range from as little as USD 2 000 for the part-time services of a local consultant working in a specific country, to over USD 300 000 for a subregional or regional programme covering many countries. Staff missions (at an average daily cost of USD 750 including travel, salary and per diem) are a comparatively expensive but highly effective tool. Missions undertaken by international consultants are slightly less costly while local consultants not only receive lower average fees but also have fewer requirements related to travel and per diem.

⁴ See the Annex for a description of selected ongoing activities, and Appendix I for examples of pertinent country activities.



10. In comparison with agencies maintaining permanent representations, IFAD incurs minimum costs in its efforts to link with its borrowing Member States. For example, the Food and Agriculture Organization of the United Nations (FAO) calculates an annual cost of USD 450 000-500 000 for a country office, while the International Development Research Centre (IDRC) spends about USD 1 million annually on each of its regional offices. Outposting international headquarters staff has direct and indirect costs, the latter due to the significantly lower contribution an outposted staff member makes to a division's regular workload. IDRC calculates a doubling in expenditure for a headquarters staff member outposted to a regional office, while a year-long overseas position in a bilateral office can average USD 340 000, increasing to USD 600 000 for new positions. IFAD has financed its regional and country links using a range of sources, from loans and grants to supervision and project design budgets. External sources such as cofinanciers, governments and implementing agencies have also contributed to covering the costs of maintaining effective links with stakeholders.

D. Goals and Strategic Approach

11. IFAD's overall strategic goal is to sustainably reduce rural poverty. The Fund continues to search for new, innovative and cost-effective means to attain this goal, either directly through its investment activities, or indirectly, by playing a catalytic role. Greater involvement in the design and supervision of its investment projects and programmes (paragraph 5) has helped somewhat to strengthen innovation and learning processes at this level. It has also contributed to raising awareness of the need to achieve and measure the impact of IFAD's investments and provide methodological support in this area, for instance, through the introduction of logical framework methodology and new monitoring and evaluation guidelines. The follow-up on these initiatives, however, has proven difficult in the absence of an adequate in-country presence and capacity. Moreover, issues related to the overall policy environment frequently hinder attaining project objectives related to the goal of a durable reduction of rural poverty. So far, IFAD has tried to meet these constraints through staff missions (paragraph 8) and by organizing, at regular intervals, implementation workshops and policy seminars. While useful, these mechanisms have nevertheless proven insufficient to strengthen sustainably the *micro-macro link*, i.e. the relationship between the grass-roots level and the national administration and policy environment. Again, more regular contacts with the field and enhanced in-country capacity seem to be called for.

12. The experience of other donors and the lessons that IFAD has drawn from its own pilot experiences in recipient countries have shown that:

- support mechanisms to strengthen in-country capacity and performance have to be matched to specific needs and purposes;
- the particular situation of each country has to be taken into account;
- maximum reliance on a country's internal resources and capabilities can enhance sustainability; and
- IFAD's role as pathfinder and pioneer in rural development calls for new and innovative approaches to enhancing in-country capacity and presence.

Thus IFAD may use different tools in situations requiring improvements in project implementation and impact than it does when national policy issues need to be addressed. Moreover, mechanisms that are effective in a medium-sized country with well-developed infrastructure may prove to be inadequate when there are long distances between target areas and insufficient means of communication. To enhance its impact, IFAD therefore needs to assess, on a country-by-country basis, the main constraints to, and opportunities for, successful project implementation and catalytic action (policy dialogue, knowledge management, partnership building), and identify the most suitable and cost-effective tools to overcome these constraints and exploit these opportunities. In implementing this strategy, IFAD can draw on successful pilot experiences and continue its search for new and innovative mechanisms.



13. Although IFAD must work within an environment of country-specific constraints and opportunities, in all countries its specific approach of working through and with local resources, building capacities and strengthening institutions must prevail. This approach is reflected in IFAD's strategic framework⁵ as follows: "developing and strengthening the organizations of the poor to confront the issues they define as critical; increasing access to knowledge so that poor people can grasp opportunities and overcome obstacles; expanding the influence that the poor exert over public policy and institutions; and enhancing their bargaining power in the market place." The need to close the micro-macro link (paragraph 11) thus translates into a programme of sustained and strategic support to local capacity- and institution-strengthening through (i) investment activities and (ii) the promotion of accompanying measures (such as local resource groups, training and knowledge networks, and support missions). It is, in particular, at the level of the latter that IFAD needs to avoid the ad hoc approach of the past (paragraph 9) and adopt a more coherent approach with the medium-term objective of covering its countries of intervention. The following section discusses the operational implications of designing and launching such a medium-term programme.

E. Operational Approach

14. The first step towards a concrete programme is the identification and analysis of constraints and needs. What are the reasons for not attaining maximum impact on rural poverty reduction? While certain constraints are common to many countries (e.g. lack of a continuing IFAD involvement in national policy dialogue and coordination processes), specific needs vary according to the country and situation. IFAD will therefore have to undertake individual country assessments based on its staff's knowledge of the situation and on consultations with local stakeholders. Subsequently, it needs to examine available options for responding to the identified needs and provide guidance on how to identify other new and innovative options for future testing. This will allow IFAD, as a second step, to propose an action plan for each country covering (i) activities aimed at expanding the use of existing mechanisms and (ii) measures to be taken to identify, test and launch new and innovative mechanisms based on local capacities. *All actions proposed should respond to confirmed needs, be sustainable, serve to strengthen local capabilities and institutions, and have clear potential to support the attainment of IFAD's corporate goals.* The proposed mechanisms should also clearly support micro-macro links between IFAD's target group and the national policy level, and facilitate learning and knowledge sharing between these levels and with IFAD headquarters. Apart from these basic criteria, IFAD will also need to weigh various financial issues, including in each proposal options for financing any additional costs arising from the implementation of measures to enhance in-country capacities and presence. Such options could include IFAD's regular administrative budget, its loan and grant resources, supplementary funds and other contributions.

15. The Secretariat proposes to undertake detailed country assessments during the first half of 2003 and to submit a proposal for follow-up action to the September 2003 Session of the Executive Board as part of the 2004 draft work programme and budget. Depending on the mobilization of the resources required for country assessments, approximately one third of IFAD's active borrowing Member States will be involved in this first phase. Countries will be selected with a view to covering all geographic regions and the greatest possible variety of country situations. Activities complying with the criteria outlined in paragraph 14 that do not require additional resources, or activities for which extrabudgetary sources are available, can be implemented immediately, while those to be financed by IFAD's regular budget will be launched depending on resource availability in the 2004 budget.

16. The Secretariat will analyse the situation and identify action plans for the remaining borrowing Member States in 2004. In addition, as from 2004, all new or updated country strategic opportunities papers will contain a section on "Action Plan for Strengthening In-Country Capacity and Presence".

⁵ Document EB 2001/74/R.36.



Experience with the new initiatives will be reflected in the internal portfolio review process and in the annual portfolio progress report submitted to the Executive Board. Country portfolio evaluations will also assess the effectiveness of the systems in place and provide relevant findings and recommendations. Compliance with these processes will ensure that lessons learned will be shared within IFAD and with its partners, and reflected in future country programmes.

F. Costs and Benefits

17. Due to the wide range of options available to respond to specific needs and enhance the impact of IFAD's activities in a country, the costs of implementing country action plans can vary widely (as already illustrated in paragraph 9). Like the activities themselves, the costs will therefore have to be worked out on a country-by-country basis. For purposes of illustration, some indicative estimates are provided in Appendix II.

18. The Secretariat will also carry out an assessment of the benefits of enhancing in-country capacity and presence for each individual country, taking into account both the opportunity costs of maintaining the status quo and the expected quantifiable and qualitative advantages that will result from implementing an action plan. Direct opportunity costs in relation to the objective of reducing rural poverty clearly arise, for example, from slow project implementation due to delays in financial flows; from lack of impact due to insufficient human resources at the level of project management; and from duplication of efforts due to inadequate coordination and knowledge sharing at country level. In such cases, the costs of, for instance, recruiting local manpower for administrative follow-up, training or networking would certainly be fully justified. By the same token, financing measures to strengthen local institutions and establish resource groups to participate in policy discussions could lead to significant improvements in project impact in cases where national policies do not sufficiently cater for the needs of IFAD's target group.

G. Recommendation

19. It is recommended that the Executive Board review the present document and authorize the Secretariat to:

- (a) Establish an Ad Hoc Working Group of the Executive Board with representatives of the three Lists to accompany the process;
- (b) Proceed with the rapid country analysis of 15 countries with pertinent activities in the different regions, and preparation of recommendations based on this analysis, for Executive Board consideration in September 2003;
- (c) Undertake these analyses with existing budget resources and supplementary funding that can be mobilized.



SELECTED ONGOING ACTIVITIES

1. IFAD's main tool for maintaining close links between headquarters and the borrowing countries and for playing an active role at the field level are the missions undertaken on a regular basis by IFAD staff, mainly country portfolio managers (CPMs), but also evaluation officers, loan officers, legal advisers, middle and senior managers, and others. In addition, cooperating institutions and consultants undertake country visits as IFAD's agents, fulfilling project design and supervision functions.

2. To supplement these mechanisms and ensure a more permanent attention to country matters, IFAD has been experimenting with a number of tools that comply with the need to contribute to in-country processes while respecting the statutory and budgetary limits within which IFAD operates. These tools range from long-term or retainer arrangements with local consultants, project liaison offices, and joint offices with other agencies to focal points in ministries, and regional or subregional support networks.

3. **Local consultants.** Experience with local consultants has generally been good. In Uganda, for example, a consultant has successfully coordinated ongoing IFAD-supported projects and helped to launch new ones. The average costs of local consultants are generally low compared with those of staff and international consultants. Working with local consultants can also be an effective way of enhancing local capacities. It is, however, important to identify clearly the purpose for which a local consultant is needed and match the qualifications accordingly. For instance, a former high-level government official may be ideal for strengthening IFAD's partnership relations or preparing policy dialogue, while a different profile might be needed for following up the recommendations of a supervision mission or collecting background information for a design mission. Contract types for local consultants may range from a simple short-term contract for a specific task to long-term or retainer contracts. When continuing technical support to project implementation is required, IFAD may prefer to enter into an agreement with a local consultancy firm or an NGO as has, for example, been done in Ethiopia. The identification and recruitment of local consultants is usually the task of the CPM; however, in the future, other IFAD units may be involved for specific purposes. For example, the Office of the General Counsel may recruit a local lawyer for research on legal matters, or support to the Government or to specific projects; the External Affairs Department may need a local journalist to cover a specific event; or the Technical Advisory Division may need experts in connection with a technical assistance grant programme. In the past, local consultants have very often been recruited on an ad hoc basis and only recently have guidelines on contract arrangements been issued (Human Resources Handbook, Chapter XI, Section 03). Similar standards on fees and other benefits, allowing for varying country situations, would also be useful. It is crucial that the recruiting officers maintain close regular links with local consultations by telephone, email and through country visits, particularly in the case of longer-term arrangements. Under these conditions, local consultants can enhance IFAD's field performance by supporting project implementation, preparing and facilitating missions, and providing information, while reducing the workload of headquarter staff.

4. **Project liaison offices.** A permanent link in the form of an administrative liaison office at the country level for ongoing IFAD projects has proved useful (e.g. in Guinea and Rwanda) in facilitating project implementation and linking dispersed projects to IFAD and to stakeholders in the capital (government, suppliers, etc.). Preferably serving several projects and established directly by them, such an office should be small (staffed by one administrator and one support employee) and not overloaded with tasks unrelated to project implementation, such as diplomatic functions related to IFAD representation. Financing for a project liaison office can be included in the project budget. To enhance the usefulness of this office, IFAD should maintain effective links with it via email, provide it with access to relevant IFAD internal IT systems and keep it updated in areas such as administrative



ANNEX

procedures. The office's main purpose should be to facilitate project implementation, but it could also serve as a contact point between local resource groups/networks and IFAD.

5. **Joint offices with other agencies.** In selected cases, IFAD has pooled resources with other donor agencies represented in a given country, for example by sharing the costs and services of a contact person or by using the office facilities of another agency. In China, for instance, IFAD has been cofinancing the costs of a World Food Programme (WFP) programme officer, located in WFP's Beijing office. The officer contributes to improved project/programme design and implementation by helping to coordinate missions, and by participating in IFAD design missions, in United Nations Office for Project Services supervision missions, in donor meetings, and in networking initiatives with government, donors and civil society. Similar arrangements are ongoing in India (with WFP) and about to be launched in Mozambique (with FAO). While some positive experiences with this type of joint arrangement have been registered, it also has been noticed that such shared facilities do not enhance IFAD visibility and that, in the case of shared staff, priority is often given to the interests of the agency represented in the country. These drawbacks have also been observed by other donor agencies and international NGOs linking up with local organizations. Such joint arrangements are therefore particularly advisable when partnership with the agency concerned is a special priority within IFAD's country programme and when the partner agency shares IFAD's interests and approaches.

6. **Outposted IFAD staff.** IFAD's experience in outposting regular staff is limited to the stationing of one CPM in Latin America. This staff member covers the country of residence and two others, fulfilling the normal functions of a CPM. His contribution to headquarters tasks (e.g. participation in working groups) and other divisional functions is, however, generally limited to what can be done during short visits and through (tele-)communications.

7. **Subregional and regional networks.** The Latin America and the Caribbean Division has successfully exploited this tool, and other divisions are now launching regional support structures. Regional networks supporting projects and country programmes have the advantage of economies of scale and benefit from wider knowledge exchange and an increased choice of resource persons. Their costs are, however, considerable, and no experience exists in turning them into self-financing organizations. These are important factors when considering them as an option for strengthening in-country capacities and presence. Other aspects such as the availability of regional experts to staff or collaborate with the networks and the state of the communications infrastructure in the region must also be taken into account. Promising variations of regional networks are e-networks. These can be used either as independent tools for knowledge management and cross-fertilization among projects, countries and regions (e.g. ENRAP) or as support for other mechanisms such as local or regional resource groups. IFAD has gathered valuable experience in launching and supporting such networks in several regions, connecting projects with each other and with other stakeholders. IFAD's medium-term objective should be to connect all its projects to email and the Internet and give them access to selected IFAD internal systems. This would strengthen IFAD's virtual presence in all borrowing countries, facilitate direct support to project implementation, and promote a community spirit that would enhance IFAD's image and visibility through its projects.



EXAMPLES OF PERTINENT COUNTRY ACTIVITIES

Country	Activity
Chad	Liaison office for ongoing projects
Chile	Regional technical assistance grant (TAG): FIDAMERICA (knowledge management)
Chile	Regional TAG: PROGENDER (implementation support)
China	Shared WFP officer and facilities
Costa Rica	Regional TAG: Regional Unit for Technical Assistance (RUTA) (capacity strengthening)
Ethiopia	NGO-support to ongoing projects
Ghana	Mailbox-office for ongoing projects
Guinea	Liaison office for ongoing projects
India	Shared WFP officer and facilities
Indonesia	Part-time local consultant (facilitator)
Jordan, Lebanon and Syria	Part-time local consultant for technical advice to projects
Lao PDR	Part-time local consultants
Madagascar	Support team for financial administration of ongoing projects
Mali	Focal point for IFAD projects
Rwanda	Facilitation office for ongoing projects
Uruguay	Regional TAG: MERCOSUR (policy dialogue)



APPENDIX II

**AVERAGE COST OF ACTIVITIES TO ENHANCE
IN-COUNTRY PRESENCE AND CAPACITY**

(Average Fees and Travel Costs for Staff and Consultants in USD)

Average Cost/Region	PA	PF	PI	PL	PN	All Regions
Staff travel cost (year 2000) per day (including travel and daily subsistence allowance (DSA), but without salary*)	376	446	349	445	381	399
DSA (United Nations Development Programme (UNDP) rates)	114	129	113	184	128	134
International consultants fees paid per day by IFAD in 2001	315	328	293	268	272	295
Local consultants fees paid per day by IFAD in 2001	229	184	152	197	159	184
UNDP national officer salary per day (regional samples)	92	85	82	181	128	114

Source: Based on data supplied by Human Resources Division and the Office of the Controller.

* Average cost to IFAD for a P-V staff member is USD 350 per day.

- PA = Western and Central Africa Division
PF = Eastern and Southern Africa Division
PI = Asia and Pacific Division
PL = Latin America and Caribbean Division
PN = Near East and North Africa Division

