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**IFAD**

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**EXECUTIVE SUMMARY AND AGREEMENT AT COMPLETION POINT**

**CORPORATE-LEVEL EVALUATION  
OF THE  
DIRECT SUPERVISION PILOT PROGRAMME**



## Table of Contents

### **PART I – EXECUTIVE SUMMARY**

<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>II. EVOLUTION OF DIRECT SUPERVISION IN IFAD.....</b>	<b>3</b>
<b>III. DIRECT SUPERVISION ANALYSIS .....</b>	<b>4</b>
<b>IV. LEARNING AND KNOWLEDGE MANAGEMENT.....</b>	<b>9</b>
<b>V. EFFICIENCY OF DIRECT SUPERVISION .....</b>	<b>10</b>
<b>VI. SUPERVISION SYSTEMS AND EXPERIENCES OF OTHER INTERNATIONAL FINANCIAL INSTITUTIONS .....</b>	<b>11</b>
<b>VII. CONCLUSIONS .....</b>	<b>12</b>
<b>VIII. RECOMMENDATIONS .....</b>	<b>13</b>

### **Annexes**

Annex I:	List of Projects Included in the DSPP	17-18
Annex II:	Five-Year Plan of Action	19-20
Annex III:	Project Implementation Performance	21
Annex IV:	Average Disbursement Rate by Project Implementation Year	23
Annex V:	Ratings on the Human Dimensions & Issues Related to IFAD's Catalytic Role	25
Annex VI:	Ratings on Impact	27-28
Annex VII:	IFAD Impact Indicators for Direct Supervision	29
Annex VIII:	Average Supervision Costs per Project per Year	31

<b>PART II – AGREEMENT AT COMPLETION POINT</b>	<b>33</b>
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## Abbreviations and Acronyms

AfDB	African Development Bank
AsDB	Asian Development Bank
CI	cooperating institution
CLE	corporate-level evaluation
CLP	core learning partnership
COSOP	country strategic opportunities paper
CPM	country programme manager
DSPP	Direct Supervision Pilot Programme
ESM	Evaluation of the Supervision Modalities in IFAD-Supported Projects
IDB	Inter-American Development Bank
IEE	Independent External Evaluation
IFI	international financial institution
MFE	methodological framework for project evaluation
MSR	minimum supervision requirement
MTR	mid-term review
OE	Office of Evaluation (IFAD)
PMD	Programme Management Department
PSR	project status report
RIMS	Results and Impact Management System
UNOPS	United Nations Office for Project Services

## PART I – EXECUTIVE SUMMARY

### I. INTRODUCTION

1. **Background.** In February 1997, the IFAD Governing Council adopted resolution 102/XX on Loan Administration and Supervision of Project Implementation, together with a Five-Year Plan of Action. The resolution stated that IFAD “may supervise specific projects and programmes financed by it”. According to the action plan, no more than 15 IFAD-initiated projects were to be directly supervised and administered during the five-year period. This initiative, including the 15 projects, has since been referred to as the Direct Supervision Pilot Programme (DSPP). The Governing Council resolution entered into effect on 21 February 1997 and will cease to be operational five years after the date of effectiveness of the last approved project to be directly supervised by IFAD.<sup>1</sup> The Governing Council also decided that the DSPP should not entail any cost increases and that IFAD should use the same funds that would have been spent on supervision by cooperating institutions (CIs) to cover its direct supervision activities.

2. In order to assess the results of the action plan, in 2002/2003 the Office of Evaluation (OE) undertook an Evaluation of the Supervision Modalities in IFAD-Supported Projects (ESM). The objectives of the ESM were to “evaluate the effectiveness of current supervision modalities against the minimum supervision requirements [MSRs] ... and other indicators of quality, and review the achievements under the Five-Year Plan of Action”. It is important to note that most of the directly supervised projects were in their early stages of implementation at the time of the ESM. Hence, although the ESM provided concrete findings on supervision through CI, it provided only an overview of the emerging characteristics of IFAD’s direct supervision efforts.

3. **DSPP objectives.** The overarching objective for embarking on the DSPP was to enable the Fund to acquire first-hand knowledge from supervision activities and to incorporate lessons learned from ongoing operations more effectively into its project design work. It was also to provide IFAD with “knowledge of the supervision function, of what are the costs of an adequate project supervision ... and of the development impact and human dimension of the projects in its portfolio. The Fund’s involvement in direct supervision would also complement and improve cooperating institutions’ own activities (mainly the human dimension of projects/programmes)”. Although enhancing development effectiveness<sup>2</sup> was not an explicit objective, direct supervision was expected to contribute to improving implementation performance and project impact.

4. **Evaluation objectives.** The main objective of the corporate-level evaluation (CLE) was to make an overall assessment of the DSPP’s achievement in enhancing the implementation and impact of IFAD-funded operations. More specifically, the evaluation had the following key objectives: (a) compare and contrast direct supervision by IFAD with selected, relevant examples of supervision undertaken by CIs; (b) examine the processes established, alternative approaches and the experiences of country programme managers (CPMs) in undertaking direct supervision. This would include comparison with the approaches, systems and experiences of other international financial institutions (IFIs); (c) assess the efficiency of the direct supervision modality; and (d) examine the systems established to capture the experience and insights from direct supervision and the ways in which this has been of benefit to IFAD’s project design processes and implementation support activities.

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<sup>1</sup> The resolution will cease to be effective in June 2006, as the last project (India) became effective in June 2001.

<sup>2</sup> For the purpose of this evaluation, the term ‘development effectiveness’ encompasses the extent to which the DSPP’s overall objectives have been met, the efficiency in implementing the pilot programme and the contribution of direct supervision in improving project implementation and potential project impact.

5. **Evaluation methodology.** The approach for the direct supervision evaluation has been to build on the methodology and results of the ESM. The criteria<sup>3</sup> used in the CLE to assess the DSPP include: (a) the *relevance* of direct supervision in relation to the DSPP's objectives at the time of approval but also in today's context; (b) the *effectiveness* of the DSPP, measured against the achievement of the stated objectives of the programme and using the indicators specified for measurement of the impact of direct supervision;<sup>4</sup> (c) the *efficiency* of direct supervision; and (d) an analysis and comparison of the actual and potential *impact* of the projects included in the direct supervision pilot programme with those supervised by CIs.

6. The evaluation process was planned to allow for triangulation of evidence and the views obtained from the main actors in the DSPP (the key government focal point at the national level, together with implementing agencies, beneficiaries, and the IFAD staff concerned). Moreover, OE had completed evaluations of three directly supervised projects<sup>5</sup> in the past few years, which provided valuable additional sources of information and assessments. Since 2003, OE has also undertaken three country programme evaluations<sup>6</sup> that included assessment of one directly supervised project in each of these countries. Relevant information and reports from the Independent External Evaluation (IEE) of IFAD, which analysed in detail two directly supervised projects,<sup>7</sup> have also been utilized. Finally, four projects<sup>8</sup> in the evaluation control group have either been evaluated by OE or included in the IEE.

7. **Evaluation scope.** The evaluation involved a comparison of the directly supervised projects with 15 projects supervised by CIs (the latter therefore represented the evaluation's control group). That is, three CI-supervised projects per region were included in the control group based on a set of selection criteria agreed with the evaluation's core learning partnership (CLP).<sup>9</sup> The list of projects included in the DSPP and the control group for the purposes of the evaluation can be seen in Annex I.

8. **Evaluation process.** The CLE process began with the preparation of an approach paper, which provided an opportunity for developing a solid understanding of the evaluation's objectives, scope, methodology, time frames and expected outputs. The evaluation benefited from the views of the CLP. An external reviewer<sup>10</sup> with wide experience in project supervision issues was contracted to advise OE at critical phases during the evaluation and to review key evaluation outputs. Moreover, OE undertook a thorough peer-review process within the division to improve the evaluation's overall quality.

9. The evaluation included the following activities: desk reviews of the 15 directly supervised projects and 15 projects in the control group; interviews with IFAD management and staff; field work in 13 of the 15 directly supervised projects and in eight control group projects;<sup>11</sup> discussion with the United Nations Office for Project Services (UNOPS) and selected IFIs at their headquarters and at the country level; direct supervision cost analysis; preparation of an early feedback note on an experimental basis, with the objective of sharing the emerging evaluation results and sensitizing IFAD

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<sup>3</sup> For definitions of the criteria, see Methodological Framework for Project Evaluation (document EC 2003/34/W.P.3).

<sup>4</sup> These impact indicators were developed and presented by IFAD management to the Executive Board in April 1999 (see Annex VII of the present document and document EB 99/66/R.10/Rev.1).

<sup>5</sup> In Armenia, the Gambia and Uganda.

<sup>6</sup> In Bangladesh, Benin and Indonesia.

<sup>7</sup> In Armenia and India.

<sup>8</sup> In Bangladesh, Guinea, Indonesia and Peru.

<sup>9</sup> The role of the CLP was to provide comments and input at several key stages in the evaluation process (for a definition of the CLP, see paragraph 33 in the IFAD Evaluation Policy, document EB 2003/78/R.17/Rev.1). The members of the CLP for the DSPP evaluation were: Mr Nigel Brett, Mr Jim Carruthers, Mr Pablo Glikman, Mr Shyam Khadka, Mr Luciano Lavizzari, Mr John McGhie, Mr Ashwani Muthoo, Ms Rasha Omar, Mr Mohamed Tounessi and Mr Joseph Yayock.

<sup>10</sup> Mr Hans Wyss, former Director of Operations at the World Bank.

<sup>11</sup> Hence field work was undertaken in 13 countries of the DSPP (Gaza and the West Bank and Zimbabwe were excluded).

management before the draft evaluation report was ready for discussion; organization of a round-table workshop to discuss the evaluation's results and lay the foundations for the agreement at completion point of the evaluation; and discussion at the September 2005 sessions of the IFAD Evaluation Committee and Executive Board.

10. The draft evaluation report was shared for review and comments with: staff in all the projects included in the DSPP and the control group, IFAD management and other staff, selected IFIs and CIs, and the government officials concerned at the national level in countries in which IFAD has funded a directly supervised project. Their comments have been included in accordance with the provisions in paragraph 42 of the IFAD Evaluation Policy.

## II. THE EVOLUTION OF DIRECT SUPERVISION IN IFAD

11. **Origin of direct supervision.** The Executive Board reviewed the Joint Review on Supervision Issues for IFAD-Financed Projects in December 1996. The report was submitted to the Governing Council in February 1997, together with the Five-Year Plan of Action for the DSPP. The plan<sup>12</sup> included the following actions, together with time frames for their implementation by IFAD:

- “agreement by Governing Council for IFAD to supervise test projects;
- criteria to be used for selection of test projects to be submitted to Executive Board;
- 15 test projects to be determined (3 projects per region);
- identify and negotiate with reputable private national or international organizations to undertake procurement and financial administration;
- progress report of test projects to be reported to Executive Board;
- analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs;
- mid-term review of supervision of test projects to be submitted to Executive Board;
- establish monitoring system to evaluate the test projects.”

12. **DSPP modality.** One important feature of the DSPP has been the cooperation between IFAD and UNOPS. The latter was contracted in July 1998 by IFAD to undertake the supervision of fiduciary aspects (such as procurement of good and services, disbursements, ensuring compliance with auditing and financial requirements) in the context of the DSPP. UNOPS was paid a standard amount equal to USD 12 000 per year per project for their services in the specified areas. IFAD's specific role in the DSPP was thus to arrange and conduct supervision missions, organize the necessary follow-up and provide the overall implementation support required by borrowers and their projects.

13. **Monitoring and progress reporting.** IFAD management presented indicators for the measurement of the impact of direct supervision to the Executive Board in April 1999 (see Annex VII). IFAD further committed to reviewing the indicators at least one year after most directly supervised projects had become fully operational. For comparative analysis, the Report of the Joint Review on Supervision Issues for IFAD-Financed Projects explicitly requested that a control group of CI-supervised projects, similar in other respects to the directly supervised projects, be identified and monitored.

14. In terms of reporting, the Governing Council decided that the progress, lessons learned and results of the pilot programme would be reported annually to the Executive Board. Moreover, IFAD would conduct a mid-term review (MTR) of the supervision of test projects, also to be submitted to the Board. In approving OE's work programme for 2004 during its session in December 2003, the Executive Board requested OE to undertake a CLE on the DSPP. Finally, the Governing Council decided that the President shall submit the results of IFAD's experience and conclusions on the DSPP

<sup>12</sup> The action plan can be seen in its original format in Annex II.

to the Executive Board for its review before the corresponding resolution would cease to be operational (i.e. in June 2006).

15. **Implications of selected new IFAD initiatives.** The growing emphasis on ‘country presence’<sup>13</sup> will have important consequences on the modus operandi and costs of both direct supervision and supervision by CIs. For instance, IFAD’s country presence will have a role in supervision activities, ranging from simply facilitating the organization of supervision missions to the more substantive role of providing backstopping and follow-up on implementation issues. Furthermore, management is developing a proposal for the Fund’s new operating model. There are two elements in this model that are likely to have important implications for IFAD’s supervision activities. These are: (a) the shift in the unit of account from the project to the country programme level; and (b) the utilization of the Results and Impact Management System (RIMS) to capture and analyse data systematically according to a core set of indicators. IFAD will need to pay attention to these aspects in its future supervision activities.

### III. DIRECT SUPERVISION ANALYSIS

16. **Selection of the pilot projects.** Most of the 15 projects were selected according to the criteria presented by IFAD to the Executive Board in September 1997. Two projects (in Gaza and the West Bank and Zimbabwe) have been adversely affected by political instability. While the inclusion of the Zimbabwe project in the DSPP was justified, because the unexpected events in the country could not have been foreseen at the time of Board approval, the inclusion of the Gaza/West Bank programme in an unstable country situation did not reflect an appropriate choice for inclusion in the pilot programme. The evaluation also notes that the Bangladesh project was not an appropriate choice in that it was not innovative, replicating broadly the design of a previous IFAD-financed project in the country.

17. **Approaches to direct supervision.** There have been various approaches to direct supervision in the 15 pilot projects. These include: (a) intensive CPM involvement in all steps of direct supervision, including fiduciary aspects. In these cases, the role of UNOPS was largely limited to disbursement processing; (b) the CPM completely delegates fiduciary aspects to UNOPS and focuses on implementation support matters, although s/he may not write mission reports and may not be as closely involved in the annual work programme and budget processes; (c) fiduciary aspects are dealt with by UNOPS, and the CPM appoints consultants who would be largely responsible for leading supervision missions and producing the corresponding documentation. The CPM may participate in key stages of the missions. In this approach, the CPM takes a management role and focuses on mission deployment and ensuring that all outputs are produced as required; and (d) this approach is specific to those countries in which IFAD has some form of local representation that plays a part in direct supervision by participating in supervision missions and following up between missions. The distribution of the pilot projects across the four approaches has been fairly evenly spread, with three to four projects each following approaches (a)-(c) and two projects using approach (d).

18. **Implementation of direct supervision.** The evaluation reviewed the implementation experience of direct supervision activities as compared with those under supervision by CIs. Its report observes that supervision planning during preparation of country strategic opportunities papers (COSOPs) and the project design phase was given limited attention in both forms of supervision. On another issue, the evaluation notes that the continuity of CPMs in direct supervision activities is important, and that in some pilot projects, there have been more than three CPMs allocated to the project in the last five years. In terms of supervision mission frequency and duration, the directly supervised projects have received close to two supervision missions per year, against one supervision

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<sup>13</sup> In December 2003, the Executive Board approved the field presence pilot programme in 15 countries globally.

mission for the control group projects. The average mission days per project per year were 15.2 days for direct supervision as compared with 11.2 days for the control group.

19. The composition of supervision mission teams in the directly supervised projects and in the control group has not been significantly different, with both groups making use of local consultants. There has also been more consultation between IFAD, the country and the project authorities before deciding what expertise to include in each supervision mission, especially in the context of the DSPP. Direct supervision missions on average comprised 2.6 personnel, compared with 2.5 for the control group.

20. So far, eight of the projects directly supervised have benefited from MTRs, whereas 11 projects in the control group have had an MTR. This is understandable, given that the average implementation period of the directly supervised projects (4.8 years) is less than that of the control group (6.5). In the case of the DSPP, the MTR has offered an opportunity to formalize a number of decisions made during the regular supervision missions that preceded the MTR. That is, given the more constant and intensive interaction between IFAD and the project authorities in directly supervised projects, CPMs have been able to stay on top of implementation issues and make key decisions within the framework of supervision missions themselves, rather than wait until the MTR stage. Hence, the MTR does not appear to have been critical in the context of the DSPP. It *has* been a critical instrument in CI-supervised projects, as it has provided CPMs the possibility of conducting a comprehensive review of what has been done and of introducing the required corrective measures to project design and implementation arrangements.

21. The quality of supervision reports varied across the directly supervised projects. In the terms of reference of and reports on direct supervision, attention largely focused on implementation issues and on physical and financial achievements, and less on lessons learned and impact. The same may be said of supervision reports prepared by CIs. However, supervision reports of the DSPP projects provided better coverage of issues of concern to IFAD, such as gender mainstreaming, monitoring and evaluation, beneficiary participation, building of grass-roots institutions and so on. Moreover, the documentation of the directly supervised projects was more complete and more easily accessible at IFAD than that of the control group.

22. In terms of feedback, the evaluation concludes that the DSPP did not systematically follow the set procedures established for feedback. Often an informal mode of communication was chosen rather than following official channels. In spite of the above, the evaluation notes that there is generally a faster response to project queries and follow-up on supervision recommendations under direct supervision than under CI supervision. The feedback in supervision undertaken by CIs is also erratic. Few CIs produce all the required documentation. The inadequate type and quality of reports and feedback bring up the critical issue of the current lack of quality assurance systems in the overall supervision activities of IFAD, which will be discussed later.

23. No notable difference in participatory processes was observed between IFAD direct supervision and supervision by CIs. However, there appears to be a clear preference for the increasing trend of conducting joint review missions (as organized by some IFIs) with the governments concerned, as opposed to traditional supervision missions. The term 'supervision', itself, was described by many partners at the country level as being top-down, one that did not reflect the partnership ethos between the country concerned and IFAD.

24. Project status reports (PSRs) are an important instrument in IFAD's overall monitoring and reporting system. In PSRs of directly supervised projects, there has been no analysis or lessons on direct supervision processes or information on costs. In addition, PSRs do not include ratings on the IFAD impact indicators for direct supervision, which were developed at the beginning of the DSPP. For CI-supervised projects, CPMs include an assessment of the CI's performance and assign a corresponding rating. For directly supervised projects, PSRs do not include a rating of IFAD's

performance in direct supervision. With regard to the process in the preparation of PSRs, it must be noted that the PSRs of CI-supervised projects are done by the CPM concerned, whereas the same CPM responsible for direct supervision prepares the PSR for the project under his/her direct supervision.

25. One important message emerging from the evaluation is the very wide support by IFAD partners of direct supervision. Government authorities, development organizations and project authorities were all of the unanimous opinion that there were advantages in having a direct contact with IFAD through CPMs. For example, partners conveyed the view that direct communication and interaction with IFAD contribute to better implementation and a stronger partnership, be it in terms of policy dialogue, identification of future pipeline and cofinancing opportunities or knowledge-sharing. There was one case in which a criticism was not of direct supervision, as an approach, but of the frequent staff changes at the CPM level that the project had experienced. The perceived lack of seniority and qualifications of some staff assigned by IFAD for this task were also raised for some projects.

26. Fiduciary aspects (under the formal responsibility of UNOPS) of directly supervised projects perform better than those of the control group. This finding is consistent with the ESM finding that UNOPS tends to perform better than other CIs. As UNOPS is the only CI involved in the DSPP, it is not unexpected that there would be a higher level of performance than for the control group, which incorporates a variety of CIs.

27. **Project implementation performance.** The evaluation first compared project implementation performance using indicators and ratings contained in the PSRs for both the directly supervised projects and the control group. Thereafter, the evaluation used the same set of indicators included in the PSRs and, based on its own independent ratings, compared the implementation performance of the directly supervised projects with those supervised by CIs.

28. From the evaluation's analysis, it is evident that the directly supervised projects perform better than CI-supervised projects across the PSR indicators in terms of, for example: compliance with loan covenants (directly supervised projects were rated on average 3.4 as against 3.1 for CI-supervised projects);<sup>14</sup> performance of M&E systems (3.2 for directly supervised projects against 2.6); availability of counterpart funds (3.5 against 3.2) and so on. One explanation might be more optimistic reporting by CPMs, who, as mentioned previously, are themselves responsible for the preparation of the PSRs. However, the evaluation's independent assessment also demonstrates that, on the whole, directly supervised projects have a better implementation performance as compared with CI-supervised projects across the PSR indicators. All rating scores may be seen in Tables 1 and 2 in Annex III.

29. The comparison of the directly supervised projects with the 15 projects in the control group was also developed by assessing the average time from approval to effectiveness. The analysis reveals more favourable performance by directly supervised projects. That is, the average time lag is 15.36 months for directly supervised projects as compared with 17.21 months for all other projects in the same country. Moreover, in terms of disbursement performance, the average rating by the evaluation team for directly supervised projects is 2.6 as compared with 1.9 for CI-supervised projects in the control group. For example, the average cumulative disbursement rate for all directly supervised projects in the fifth year of project implementation was around 62% as compared with 43% in the control group. Annex IV provides more information on disbursement performance.

30. Finally, the evaluation reviews one indicator that is not included in the PSRs: the time overrun factor in project implementation (number of years/months a project is extended beyond the original completion date). Based on the calculations made by the evaluation, the overall time overrun for directly supervised projects is on average 0.54 years, as compared to 1.4 years for projects in the

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<sup>14</sup> The rating scale used is from 1 to 4, where 1=negligible, 2=modest, 3=substantial and 4=high.

control group. Time overrun is an important indicator, as it reflects the soundness of design, but also the ability of the supervision process to recommend timely corrections and improvements during implementation, as and when required. Time overrun is also significant because it has an administrative cost implication for the Fund: additional supervision costs and related staff time need to be allocated for the time that projects run beyond their original completion date.

31. **The human (social) dimension in supervision and attention to key areas of IFAD's catalytic role.** There is evidence based on the evaluation's analysis that through direct supervision, as compared with supervision by CIs, IFAD has paid more attention to issues such as the targeting of women (rated 3.1 for directly supervised projects, compared with 2.5 for projects supervised by CIs); targeting the poor (rated 3.0 for directly supervised projects against 2.4); beneficiary participation; gender mainstreaming; participatory monitoring and evaluation and so on. These trends are by and large consistent with the ratings included in the PSRs of the directly supervised and control group projects. Direct supervision has also provided IFAD an opportunity to focus more on issues such as innovation (rated 3.2 against 2.5 for CI-supervised projects), partnership, knowledge management and policy dialogue, which according to the IFAD strategic framework contribute to improving project performance and impact. In each country exposed to direct supervision, according to the evaluation and partners at the country level, the presence of the CPM during supervision is seen as an opportunity to advance IFAD's broader objectives, such as those listed above. Figures 1 and 2 in Annex V provide all comparative rating scores on the aforementioned indicators for the DSPP and projects supervised by CIs.

32. The evaluation's rating for knowledge management of directly supervised projects (rating 2.7) is only marginally better than that of projects in the control group (2.5). This is partly explained by the fact that, while the knowledge acquired through direct supervision at the individual CPM level was high, there was no systematic effort to document, analyse or share such learning from direct supervision. Moreover, no specific activities were conducted or resources allocated to knowledge management in the directly supervised projects, and their supervision reports did not emphasize lessons learned. The same is true for the projects in the control group. However, this is considered a particular shortcoming in the case of direct supervision, as knowledge management in the broader sense was a specific objective of the DSPP (which is not the case for CI supervision).

33. **Development effectiveness.** The first thing to note is that, contrary to the requirement of the action plan adopted by the Governing Council, no specific, ongoing monitoring and reporting mechanisms to trace project impact were established, neither at the individual project level nor for the DSPP as a whole. In addition, contrary to the recommendation in the Report of the Joint Review on Supervision Issues for IFAD-Financed Projects, "for comparative analysis a control group of CI-supervised projects similar in other respects to the directly supervised projects" was not identified and monitored. Nevertheless, the evaluation made efforts to analyse the development effectiveness of the directly supervised projects and compare them with projects in the control group.

34. The evaluation has undertaken three specific types of comparison that, taken together, provide an overview of the development effectiveness of the directly supervised projects in relation to the CI-supervised projects. Tables 1, 2 and 3 in Annex VI contain the specific rating scores that provide the basis for the analysis.

35. First, based on three indicators (quality of supervision recommendations, follow-up actions and support provided to the project), the *overall quality of supervision* was assessed (see Annex VI, Table 1). These indicators are also used by the World Bank's Quality Assurance Group in determining the quality of the Bank's supervision, which is considered an important ingredient in achieving development effectiveness. In fact, in one of their recent evaluations, the Operations Evaluation Department of the World Bank concluded that well-supervised projects are twice as likely to succeed as are poorly supervised ones. The DSPP evaluation's assessment according to the three indicators

reveals a positive trend in favour of directly supervised projects. For example, quality of supervision recommendations is rated 3.3 for DSPP, compared with 2.9 for CI-supervised projects.

36. Second, the evaluation compared directly supervised and control group projects *using the 11 IFAD impact indicators for the DSPP*<sup>15</sup>. By and large, the directly supervised projects do better than those supervised by CIs across all indicators (see Annex VI, Figure 1). For example, “identification of new project concepts for inclusion in the pipeline” is rated 2.9 for DSPP as compared with 2.1 for CI-supervised projects. However, the control group projects perform marginally better in terms of timeliness of reporting (rated 2.9 for projects supervised by CIs, compared with 2.8 for DSPP). The reason is partly that, as subcontractors, CIs pay specific attention to project reporting. This issue has not been given the same level of attention in direct supervision, given the constant contact between IFAD and the project authorities. It can also be seen that the ratings for costs appear to favour CI supervision, as supervision by CIs costs less on average (this will be discussed in more detail later).

37. Third, the evaluation rated the directly supervised and CI-supervised projects using the *six impact domains in the OE methodological framework for project evaluation* (MFE). Moreover, the two overarching factors in the MFE (sustainability and innovation/replication) have been included in the analysis (see Annex VI, Table 2). In short, the directly supervised projects are rated better in most impact domains (e.g. food security is rated 2.9 for DSPP, compared with 2.5 for CI-supervised projects), although in two impact domains (environment and sustainability), the directly supervised projects performed less well as compared with the CI-supervised projects.

38. With regard to the latter issue, it should be noted that 12 of the 15 projects in the control group included a specific objective or component related to environmental matters. Consequently, their supervision missions have normally adequately reviewed project progress in this area. On the other hand, only five directly supervised projects have a specific environmental component and their supervision missions have not always included the required skills to undertake a thorough assessment of environmental issues and to provide the necessary backstopping to project staff. Furthermore, environmental matters have not received the same level of focus within IFAD at large as compared with areas such as gender mainstreaming and social capital formation.

39. No conclusive statement can be made on project sustainability at this stage. On the one hand, the slightly less positive ratings of the directly supervised projects as compared with the control group may be explained partly by the relatively fewer years of implementation of the directly supervised projects. That is, many of the projects in the DSPP have devoted greater emphasis, at least in the initial years, towards developing grass-roots organizations and promoting participatory processes and less towards productive activities. This may be a cause of the lower sustainability rating at this stage. Moreover, some of the directly supervised projects (in Brazil, India and the Sudan, for example) suffered initial delays in implementation due to compelling political and administrative circumstances, which could be another reason. On the other hand, the IEE concluded that during the early stages of a project there are relatively high expectations that project benefits will endure, but these expectations are modified in the later stages of implementation.

40. Finally, the overall *composite rating*<sup>16</sup> of the six impact domains is compared with the rating available in the PSR on ‘meeting development objectives’. In both cases, directly supervised projects do better than CI-supervised ones (see Annex VI, Table 3). The MFE composite index is rated 2.9 for the DSPP as compared with 2.5 for CI-supervised projects.

41. Some general considerations must be made while interpreting the above results. First, it must be acknowledged that the differences in rating scores are relatively small. Nevertheless, the analysis shows that directly supervised projects have performed better, compared with the CI-supervised ones,

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<sup>15</sup> The list of impact indicators may be seen in Annex VII.

<sup>16</sup> The composite rating is the average of the six impact domains and the two overarching factors.

according to most indicators considered in this evaluation. Additionally, direct supervision has contributed to enhanced results in furthering IFAD's broader objectives, such as policy dialogue, partnership-building and knowledge management. The evaluation also notes that the results of direct supervision could have been even greater had the pilot programme been implemented under more favourable conditions, for example if the CPM workload had been appropriately prioritized or if adequate monitoring and assessment systems had been put in place. However, in analysing the results, one must also take into account the time allocated to direct supervision. More than half the CPMs involved in DSPP said they spend up to double the time on direct supervision than on other projects in the portfolio. There are also issues of cost, which will be discussed later.

42. **Quality assurance.** IFAD lacks a continuous quality assurance system for supervision, which would have allowed the Fund to meet more fully the objectives of the pilot programme. As a result, there was limited quality assurance in direct supervision inputs and processes (e.g. mission terms of reference, composition and duration in the field) and in deliverables such as supervision reports. Other IFIs, in particular the African Development Bank (AfDB) and the World Bank, also have quality assurance mechanisms that allow for periodic assessment of supervision activities (e.g. once every two years). Through these quality assurance mechanisms, IFIs are able to take a holistic view of the supervision function and suggest corresponding systemic improvements across the organization. Such quality assurance mechanisms in the aforementioned IFIs are located outside the operations departments. The Inter-American Development Bank (IDB) is in the process of setting up a similar quality assurance system. In addition, IFIs generally have quality assurance mechanisms for supervision built into the operations divisions (e.g. at the African Development Bank, peer reviews are used for quality assurance).

43. **Reporting to the Executive Board.** Management has not complied with two key commitments in terms of reporting. First, no MTR of the pilot programme was undertaken in the last quarter of 2000/first quarter of 2001, as had been decided by the Governing Council. The reasons for this are neither evident nor documented. Second, although the Fund has provided progress reports on direct supervision to the Board on an annual basis, these have focused mainly on the deployment of inputs and processes in implementing direct supervision activities. The evaluation notes that, at the same time, the Executive Board could have exercised better oversight of implementation of the action plan and could have demanded more analytical information from management on the development effectiveness of the DSPP, in particular on the costs, results and lessons learned of the pilot programme.<sup>17</sup>

44. **Operating environment for direct supervision.** CPMs did not benefit from a favourable operating environment in which to manage the increasing workload caused by the introduction of direct supervision. More specifically, training was not provided at the outset of the pilot programme, nor were CPMs given any particular recognition or incentives. They accepted the additional responsibilities for direct supervision, which they undertook without managerial support for any reprioritization of their existing workload. Last, but equally important, management engagement appeared to diminish gradually after approval by the Governing Council of the DSPP, as demonstrated, for example, by the non-implementation of three key activities<sup>18</sup> included in the action plan.

#### IV. LEARNING AND KNOWLEDGE MANAGEMENT

45. By participating in direct supervision activities, CPMs have acquired first-hand experience of the task of supervision and a better appreciation of the issues related to rural poverty reduction. The benefits of their experience are evident, as some CPMs have put their newly acquired knowledge to

<sup>17</sup> In 1997 the GC had, indeed, decided that "progress, lessons learned and results of the test would be reported annually to the Executive Board" – see document GC 20/L.10/Add.1.

<sup>18</sup> Items 6, 7 and 8 under Recommendation 5 in the action plan – see Annex II.

use in designing new projects and implementing ongoing ones. Still, supervision reports (of both direct supervision and CIs) focus more on implementation issues and less on lessons learned from supervision processes or broad rural development issues. This has led to missed opportunities to incorporate learning into project design across the institution and to improve the supervision activities of cooperating institutions in general. Nonetheless, in spite of the benefits to individual CPMs, there is a need to institutionalize this knowledge and establish systems/platforms through which CPMs involved in direct supervision could share their overall experiences among themselves and within the Fund. Some exchanges have occurred at the CPM level in an informal, unstructured manner. But, overall, institutional support to capture and channel learning from direct supervision to IFAD staff has been inadequate.

46. IFAD also lacks an adequate reporting and feedback mechanism at the country level: its current system for learning does not allow governments and other development organizations to become familiar with its successful innovative approaches and to learn from its experiences. This needs to be addressed in the light of the Fund's strategic objective of seeking partnerships for replicating and scaling up the activities it finances, as well as of the proposed new operating model. OE recognizes that knowledge management is an institution-wide concern and that direct supervision is only one of the components of the Fund's learning system. However, the unique opportunity for the institution as a whole to learn from the direct supervision pilot programme to enhance IFAD operations has been largely missed.

## V. EFFICIENCY OF DIRECT SUPERVISION

47. Based on the calculations of the evaluation, the average cost per year per project of direct supervision is around USD 93 000 as compared with USD 61 000 for CI-supervised projects in the control group. In this regard, it should be noted that the costs incurred go beyond the expectation of the Governing Council, which had decided that in implementing direct supervision activities "there would be no cost increase" to IFAD.

48. However, there are some points related to the average CI cost that merit being highlighted. First, there is quite a variation in costs across the different CIs. Hence, the average cost for CI supervision calculated above does not reflect the costs that all CIs charge. For instance, supervision through some CIs (e.g. the World Bank) costs over USD 100 000.<sup>19</sup> The current overall cost of supervision through UNOPS (the CI with the greatest number of projects under supervision) is around USD 79 000 – see Annex VIII for more data on costs. Moreover, according to the evaluation, the current cost attributed to UNOPS needs to be increased if the Fund is to expect them to provide enhanced quality services.<sup>20</sup> Next, there are additional costs of CI supervision that are difficult to identify and have thus not been included in calculating the total cost of CI supervision. For instance, the Belgian Survival Fund has an annual allocation for CI supervision in its administrative budget, recorded outside IFAD's accounting system. Along similar lines, more recently, IFAD's Asia and the Pacific Division provided additional funds to the UNOPS Asia Office to augment its supervision-related activities. These and other such costs are not included in the average of USD 61 000 calculated for CI supervision. Finally, it should also be noted that the cost to IFAD for direct supervision includes the fielding of around two supervision missions per year to each project for longer durations than those of the average CI supervision activities.

49. Furthermore, the evaluation underlines that the longer implementation period of projects in the control group as compared with the directly-supervised projects has administrative cost implications for IFAD, which would raise the overall costs of supervision by CIs and which need to be considered.

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<sup>19</sup> A study by the World Bank's Quality Assurance Group in 2003 concluded that, on average, from USD 100 000 to USD 125 000 should be allocated per year for supervision of community-driven development projects.

<sup>20</sup> The IEE report highlighted the same issue – see paragraph 18 on page 16 (document EB 2005/84/R.2).

50. The evaluation also argues that there are possibilities of reducing the costs of direct supervision to some extent. For instance, this could be achieved by making use of competent national entities to discharge the fiduciary responsibilities involved in supervision and thus enhancing the role of government in implementation support activities. Greater use of local consultants could also contribute to cost savings. Finally, as CPMs and the other IFAD staff involved acquire the necessary competencies and gain more experience in direct supervision, it is fair to assume that the overall time invested in the associated tasks is likely to reduce to some extent. This will have a corresponding effect on the staff costs component, leading to a reduction in the overall costs of direct supervision.

51. While the cost of direct supervision may still be higher than that of CI supervision, according to the evaluation it is paramount to assess the cost together with the corresponding benefits to the Fund. The analysis of the evaluation illustrates that direct supervision has contributed to better development effectiveness and has allowed the Fund to further its catalytic objectives of innovation, policy dialogue and partnership development. With regard to the latter point, partners at the country level expressed their preference for building partnerships directly with IFAD rather than managing such processes through proxy institutions such as CIs. Moreover, in the context of knowledge management, although the CPMs involved in direct supervision have acquired better understanding of implementation matters and despite the fact that knowledge from the DSPP has not been properly institutionalized, the evaluation observes that using a CI for supervision introduces an extra layer into the already feeble learning loop of the Fund. On a similar note, the knowledge that the staff or consultants of CIs have acquired by undertaking supervision on behalf of IFAD is largely lost to the Fund. Finally, the common opinion of governments and all other partners at the country level, who clearly favour IFAD's direct involvement in supervision activities, must also be given due consideration.

## **VI. SUPERVISION SYSTEMS AND EXPERIENCES OF OTHER INTERNATIONAL FINANCIAL INSTITUTIONS**

52. By and large, the AfDB, the Asian Development Bank (AsDB), the IDB and the World Bank have similar supervision systems, with processes and details applied variously to fit their institutional structures. In the IFIs, generally, supervision is not limited to official missions and formal reports, rather it is a continuing and flexible process, specific to the needs of the particular operation and intended to foster a close partnership among an IFI, its borrower, and the implementing agencies. The planning of supervision is done carefully during the design phase of the project cycle, when appropriate resources and arrangements are put in place to facilitate supervision. The supervision process normally starts after the project is approved and ends when the last disbursement is completed and the project completion report is prepared.

53. At the Inter-American Development Bank, supervision is largely delegated to the country offices, with participation of staff from headquarters as required. At the Asian Development Bank and the World Bank, headquarters and country offices share responsibility for supervision. That is, in some cases, supervision responsibilities are entirely delegated to the country offices, especially in those countries in which offices have staff with the required sectoral know-how. Under such arrangements, selected staff at headquarters are sometimes asked to join supervision missions. In other cases, the "task managers", if based at headquarters, retain responsibility for supervision and, in turn, involve staff at their country offices in supervision missions. At the African Development Bank, so far, task managers based at headquarters have full responsibility for project supervision. However, with the establishment of 26 country offices by the end of 2006, AfDB expects in-country staff to be involved in one way or another in project supervision and related follow-up, as well as in portfolio management issues. One important aspect of supervision by these IFIs is that certain supervision functions are being increasingly located in their country offices. For example, the review of documents related to fiduciary aspects (such as bidding proposals and accounting matters) is largely handled by the country offices. It is important to realize, however, that the degree to which such field office staff can make decisions varies according to the delegation provided by the responsible task managers. Finally, some IFIs have

well-established quality assurance mechanisms for supervision and others are rapidly moving in the same direction.

## VII. CONCLUSIONS

54. A consistent trend in the overall evaluation analysis demonstrates that, compared with CI supervision, direct supervision has greater potential to contribute to better development effectiveness at the project level and, at the same time, allows greater attention to IFAD's broader objectives at the country programme level. That is, direct supervision by IFAD can contribute to better and timelier project implementation, which in turn enhances overall results and impact. Moreover, through direct supervision, IFAD has been able to emphasize issues of prime concern such as gender mainstreaming, targeting and the building of grass-roots institutions, which taken together are important elements in ensuring sustainability.

55. In view of their more frequent and longer presence in countries with direct supervision, CPMs have wider opportunities to advance IFAD's objectives at the country programme level, including policy dialogue and partnership development. CIs do not consider these to be a priority, nor can such activities be effectively advanced through third parties. Although there is no conclusive evidence that new partnerships have resulted from the DSPP, governments and other development partners at the country level have unanimously expressed their deep appreciation of the more frequent contact with CPMs, which has been facilitated by IFAD direct supervision activities. The same partners communicated that they find it more useful to deal directly with IFAD staff rather than with CI representatives. In this regard, for example, partners affirmed that the response rate and follow-up on implementation issues are faster under direct supervision than under supervision by CIs.

56. Direct supervision has contributed to developing IFAD's knowledgebase. In this regard, in particular, the CPMs responsible for direct supervision have acquired knowledge of supervision processes, project implementation and rural development issues in the countries concerned. This knowledge has enabled them to better design and implement new operations. However, the knowledge gained at the CPM level has not been systematically shared with others, nor has it been institutionalized, which is one of the key shortcomings of the DSPP. The evaluation notes that supervision by CIs also offers possibilities for knowledge generation. However, CI involvement in supervision makes the transmission line of knowledge from the CI to IFAD and the country more cumbersome in the already feeble knowledge systems of the Fund.

57. The evaluation concludes that direct supervision allows CPMs to strengthen country-level coordination both within the context of IFAD operations and with the development community at large. It also facilitates the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities, which are mostly available at the country level, given that the majority of our international and bilateral partners have delegated an increasing amount of authority to their country representatives.

58. Unlike most other IFIs, IFAD lacks a quality assurance system for direct supervision. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. Compliance with the minimum supervision requirements and the direct supervision guidelines was also not monitored. In conclusion, both continuous and periodic quality assurance systems are fundamental if direct supervision activities are to be expanded.

59. At face value, the average cost of direct supervision (USD 93 300) is higher than the average cost of supervision by CIs (USD 61 461).<sup>21</sup> However, the evaluation argues that cost should not be seen in isolation from the benefits the DSPP has evidenced. Moreover, in discussions with UNOPS

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<sup>21</sup> Although the actual cost per project per year for supervision by UNOPS, the main IFAD CI, is around USD 78 000.

(the main IFAD CI), it is clear that the costs to IFAD for supervision by UNOPS need to be increased if they are to deliver the type and quality of service IFAD requires in the future. In parallel, the evaluation notes that there is the potential for efficiency gains in direct supervision if, for example, the fiduciary responsibilities related to supervision are entrusted to competent national entities and greater use is made of local consultants for implementation support activities.

60. The evaluation notes that management's interest has appeared to gradually diminish following approval of the DSPP by the Governing Council. This is illustrated by the fact that management did not fully implement all decisions of the Governing Council. For instance, it did not undertake a mid-term review of the DSPP as required. Neither did it establish an integrated, analytical accounting system to track costs of the DSPP. Nor did it set up a monitoring and assessment system to measure the performance and impact of direct supervision. According to the evaluation, however, neither did the Executive Board exercise adequate oversight to ensure that IFAD management would fulfil all its commitments under the DSPP. The evaluation believes that the outcome of the DSPP would have been even more significant had all the requirements laid down by the Governing Council been implemented.

61. The evaluation reveals that not all concerned have the same understanding of the notion of supervision. In fact, there is often confusion as to what constitutes supervision missions, implementation support, follow-up activities, fiduciary responsibilities and so on. There is also a lack of clarity on the roles and responsibilities of IFAD, CIs, project staff and government authorities. Additionally, it is worth noting that many partners at the country level felt that the term 'supervision' – when applied to the implementation aspects of projects rather than to fiduciary aspects – has a paternalistic undertone and they felt uneasy with its continued application. Supervision in that sense reflects a top-down, non-participatory approach to the function, which is inconsistent with the Fund's objectives of promoting ownership and partnership with governments and other institutions.

## VIII. RECOMMENDATIONS

62. It is important to state that the evaluation's recommendations have taken into consideration the relevant recommendations contained in the ESM report. The evaluation's five key recommendations, given below, are mutually reinforcing. The evaluation recommends that they all be implemented fully in order to ensure that the desired impact is achieved in IFAD's future efforts in the area of supervision and implementation support.

### **Recommendation One: Definition of Supervision**

63. The evaluation recommends that the concept of 'supervision' as used by IFAD be divided into two distinct operational parts: (i) **supervision of fiduciary aspects**, including aspects related to procurement review, disbursement processing and compliance with financial and auditing requirements; and (ii) **support to programme and project implementation**.<sup>22</sup> This would include, for example, the organization of periodic 'implementation support' missions and related follow-up; an assessment of the achievement of programme/project objectives and assistance in identifying remedial solutions for implementation challenges, based on interaction and dialogue with project authorities and other partners at the country and project level; and the provision of guidance in preparing the annual work plans and budgets. It would also include oversight of project and programme implementation, for example, in terms of monitoring the achievement of physical targets.

<sup>22</sup> It could also be called 'implementation support'.

**Recommendation Two: Develop a Comprehensive Supervision<sup>23</sup> and Implementation Support Policy for IFAD**

64. The Fund should develop a specific overall supervision and implementation support policy for its operations. The policy should reflect the following elements.

65. **Supervision of fiduciary aspects.** IFAD should be allowed to decide, on a case by case basis, whether to subcontract a competent national, regional or international entity to perform such functions. Special efforts should be devoted to engaging national entities, as this would have the double effect of building local institutional capacity and reducing costs. The utmost attention should be given to ensuring that there is no conflict of interest between the prospective national entity and the IFAD operation under consideration. In a few and very specific circumstances, IFAD might consider undertaking the supervision of fiduciary aspects itself.

66. **Implementation support.** The evaluation recommends that the policy state explicitly that: (i) IFAD should be made responsible for providing direct implementation support to all its operations globally. In this regard, it is important to specify the role of the CPMs, who could either be intensively involved themselves as “implementation backstoppers” or act as implementation-support task managers with more attention to process management, which would also require a degree of direct involvement in activities. In both cases, CPMs would ultimately be responsible for the process, content and outputs of implementation support activities; (ii) such support would cover all aspects of IFAD country programmes, both at the project level and beyond, such as policy dialogue and partnership strengthening; and (iii) the role of partner governments would be specified and given due emphasis, which would contribute to building greater ownership and local capacities, as well as reducing costs.

67. The above would result in new responsibilities for the Programme Management Department (PMD), which would require the allocation of additional staff and financial resources as well as new competencies and skills. It is fundamental that the additional resource requirements for the implementation of the new policy be clearly articulated in a comprehensive and explicit manner by IFAD. This would require a detailed cost analysis, particularly of the elements in paragraphs 65-66, as well as an assessment of the skills and competency of current CPMs. Based on the aforementioned analysis, IFAD would need to develop a proposal to meet the cost deficits in implementing the new policy. It would also need to develop a plan for enhancing the ability of CPMs to meet the specific requirements of the new policy, recognizing that it may not be possible to enhance these skills and competencies in all cases. Until the required level of financial resources would be made available to the Fund and additional PMD staff recruited and their competencies and skills developed and upgraded, IFAD might consider a phased approach to expanding implementation support in all operations.

68. The success of the new policy would also be determined by the support provided by IFAD management and the conducive environment it creates for the purpose. For example, management would need to: (i) ensure that appropriate opportunities are introduced for periodic staff training; (ii) establish an incentive framework and platforms for the sharing of knowledge acquired by CPMs; and (iii) allocate the necessary time for reviewing implementation experience under the policy. The Board should also play a proactive role in exercising oversight of implementation of the new policy and in approving administrative budgets for the purpose.

69. The policy should be evaluable, and in particular include a roll-out and implementation plan, with performance indicators that can be monitored periodically.

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<sup>23</sup> The term ‘supervision’, from this point onwards in the document, means ‘supervision of the fiduciary aspects’ related to IFAD financing.

70. A chapter on supervision and implementation support should be included on a standing basis in IFAD's annual Portfolio Performance Report. The chapter would provide an analytical account of the opportunities and challenges in the area, and identify key lessons learned. Moreover, it would provide an indication of the ongoing operational measures introduced by IFAD to address emerging issues.

71. The undertaking of supervision of fiduciary dimensions and implementation support would require revisiting Article 7, Section 2(g) of the *Agreement Establishing IFAD*.

72. Other integral aspects that the policy should consider are contained in recommendations three to five.

### **Recommendation Three: Supervision and Implementation Support in the Framework of the COSOP**

73. The evaluation recommends development of an overall approach to supervision and implementation support during the preparation of COSOPs. This would take into account the need to supervise the fiduciary dimensions of all operations, and the provision of implementation support to the country programme, including areas such as policy dialogue, partnership-building and knowledge management, in addition to the support traditionally provided to projects. The COSOP would lay the provisions for the need to develop an annual supervision and implementation support plan for each country, indicating the specific objectives, human and financial resource allocations and expected results. Each PMD regional divisional would set up an electronic monitoring, assessment and reporting system, which would serve as a management tool to track the implementation progress of the plans and to flag issues requiring more immediate follow-up. A template should be developed by PMD for the section on supervision and implementation support that would be included in the COSOPs.

### **Recommendation Four: Quality Assurance System**

74. Within the framework of an overall enhanced quality assurance system at IFAD, there is a need to introduce quality assurance mechanisms for the supervision of fiduciary dimensions and implementation support activities. The evaluation recommends that IFAD establish a management review committee within PMD, which would review supervision and implementation support activities, results and related operational issues. Quality assurance, as well, needs to be strengthened in the PMD divisions. In this regard, semi-annual reviews of supervision and implementation support activities should be undertaken at the divisional level. Summaries of the discussions at these meetings should be circulated to all PMD divisions. Moreover, IFAD should build on the experience of other IFIs (in particular of the Quality Assurance Group at the World Bank) to establish an IFAD-specific quality assurance group, which would review aspects of supervision and implementation support, in addition to any other aspects related to implementation of the COSOP and its components. The Fund would need to thoroughly reflect upon the most appropriate location within IFAD's organizational structure for such a group, which would ensure the most objective and independent review possible of its supervision and implementation support efforts. The introduction of such a quality assurance group should take into consideration the mandates and performance of existing quality control systems within IFAD, such as the project development team, Technical Review Committee and Operational Strategy and Policy Guidance Committee.

### **Recommendation Five: Learning and Knowledge Management**

75. Incentives should be provided to staff to encourage sharing of the knowledge they acquire. For example, time needs to be carved out in CPMs' workload for sharing the knowledge they generate through supervision and implementation support activities. The documenting and sharing of knowledge should be included as an indicator in assessing the annual performance of CPMs. Specific instruments need to be established to facilitate learning and knowledge-sharing. In particular, time should be reserved on a standing basis in the CPM forum for discussing issues and sharing knowledge

generated through supervision-cum-implementation support activities. Each project mid-term review and project completion report should include a specific treatment of supervision and implementation support issues, as should all evaluations undertaken by OE. The project and country status reports should be reformatted to include a narrative section on supervision and implementation support, and ratings must be included in all cases. Other instruments should be introduced, such as peer reviews at the PMD divisional level in relation to implementation support activities.

76. The monitoring and evaluation systems at the project level need significant strengthening if they are to contribute effectively to learning. Moreover, in line with the new operating model, it is necessary to assist in the development of integrated monitoring and evaluation systems at the country level. This would not only facilitate monitoring and sharing of experience across the entire project/programme portfolio, but would also allow for tracking the implementation of the broader objectives of IFAD country programmes, such as policy dialogue and partnership-building.

77. IFAD should build on the experiences of other international financial institutions, and make more comprehensive use of information technology for knowledge management purposes in relation to supervision and implementation support. In this regard, it is recommended that the existing PPMS be expanded so that it can carry updated summaries of supervision and implementation support activities at all times. An enhanced PPMS should accordingly be made accessible to external partners through the IFAD internet with immediate effect. Last but not least, an integrated, analytical accounting system should be developed through close cooperation between PMD and the Office of the Controller. This would allow the monitoring and analysis of all costs related to supervision-cum-implementation support, including staff time.

## Projects Included in the Direct Supervision Pilot Programme

<i>Country</i>	<i>Project Name</i>	<i>Board Approval</i>	<i>Loan Signing</i>	<i>Loan Effectiveness</i>	<i>Project Completion Date</i>	<i>IFAD Financing (USD million)</i>	<i>Disbursement Rate (%)</i>	<i>Project Status</i>
Armenia <sup>bcd</sup>	North-west agricultural services project	Dec-97	Dec-97	Apr-98	Jul-01	12.96	99.99	Closed
Bangladesh <sup>a</sup>	Agricultural diversification and intensification project	Apr-97	May-97	Dec-97	Jun-04	18.92	100	Closed
Benin <sup>a</sup>	Microfinance and marketing project	Apr-98	Jul-98	May-99	Dec-05	12.17	86.07	Ongoing
Brazil	Sustainable development project for agrarian reform settlements in the semi-arid north-east	Dec-98	Oct-00	Dec-00	Dec-06	25.00	25.71	Ongoing
Dominican Republic	South western region small farmers project – Phase II	Dec-98	Jan-99	Apr-00	Jun-06	12.00	69.01	Ongoing
Gambia <sup>b</sup>	Rural finance and community initiatives project	Dec-98	Feb-99	Jul-99	Jun-06	9.24	72.57	Ongoing
Gaza and the West Bank	Participatory natural resource management programme	Apr-98	May-98	Feb-00	Mar-07	7.81	12.24	Ongoing
India <sup>c</sup>	Jharkhand-Chattisgarh tribal development programme	Apr-99	Mar-01	Jun-01	Jun-09	23.00	8.55	Ongoing
Indonesia <sup>a</sup>	Post-crisis programme for participatory integrated development in rainfed areas	May-00	Jun-00	Jan-01	Mar-09	23.52	40.91	Ongoing
Mali	Sahelian areas development fund programme	Dec-98	Feb-99	Oct-99	Mar-09	21.95	37.61	Ongoing
Peru <sup>cd</sup>	Development of the Puno-Cusco Corridor project	Dec-97	Dec-99	Oct-00	Dec-06	18.92	43.64	Ongoing
Sudan	North Kordofan rural development project	Apr-99	Jul-99	Jun-00	Jul-08	10.49	73.75	Ongoing
Uganda <sup>b</sup>	District development support programme	Sep-98	Feb-00	May-00	Jun-06	12.59	88.91	Ongoing
Zambia	Smallholder enterprise and marketing programme	Dec-99	Feb-00	Nov-00	Dec-07	15.94	49.33	Ongoing
Zimbabwe	Smallholder irrigation support programme	Dec-98	Feb-99	Sep-99	Dec-07	12.12	10.33	Ongoing

Source: Project and Portfolio Management System and the Loans and Grants System, as of 17/05/05

(a) Projects included in OE's country programme evaluations for Bangladesh, Benin and Indonesia.

(b) Projects evaluated by OE through interim/completion evaluations.

(c) Projects included in the desk review by the IEE.

(d) Projects included in the country visits of the IEE

## Projects Included in the Evaluation Control Group (i.e. Projects Supervised by Cooperating Institutions)

<i>Country</i>	<i>Project Name</i>	<i>Board Approval</i>	<i>Loan Signing</i>	<i>Loan Effectiveness</i>	<i>Project Completion Date</i>	<i>IFAD Financing (USD million)</i>	<i>Disbursement Rate (%)</i>	<i>Project Status</i>	<i>CI</i>
Argentina	Rural development project for the northeastern provinces	Apr-96	Sep-97	Oct-98	Dec-06	16.52	49.65	Ongoing	CAF
Bangladesh <sup>acd</sup>	Aquaculture development project	Apr-98	May-98	Dec-98	Jun-06	19.99	70.86	Ongoing	UNOPS
Gambia	Lowlands agricultural development programme	Apr-95	Dec-96	May-97	Dec-04	5.06	93.19	Closed	AfDB
Guinea <sup>b</sup>	Fouta Djallon local development and agricultural rehabilitation programme	Dec-96	Feb-97	Jan-98	Jun-06	10.01	63.94	Ongoing	UNOPS
India <sup>b</sup>	North eastern region community resource management project for upland areas	Apr-97	May-97	Feb-99	Mar-06	22.90	20.69	Ongoing	UNOPS
Indonesia <sup>a</sup>	Income-generating project for marginal farmers and landless – Phase III	Dec-97	Jan-98	Jul-98	Dec-06	24.90	80.75	Ongoing	AsDB
Jordan	Yarmouk agricultural resources development project	Apr-99	Aug-99	Apr-00	Jun-06	10.14	29.17	Ongoing	AFESD
Madagascar	Second environment programme support project	Apr-97	Dec-97	Mar-98	Dec-02	8.10	100.00	Closed	World Bank
Mali	Zone Lacustre development project – Phase II	Apr-96	Jun-96	Jun-97	Dec-05	12.69	6.93	Ongoing	BOAD
Mozambique	Family sector livestock development programme	Dec-96	Sep-97	Feb-98	Jun-06	19.40	86.43	Ongoing	UNOPS
Peru <sup>bcd</sup>	Management of natural resources in the southern highlands project	Sep-95	Jun-96	Apr-97	Dec-04	12.28	100.00	Closed	CAF
Sudan	South Kordofan rural development programme	Sep-00	Sep-00	Feb-01	Mar-11	18.02	48.88	Ongoing	UNOPS
Syria	Badia rangelands development project	Apr-98	Jul-98	Dec-98	Jun-06	20.17	14.53	Ongoing	AFESD
Uganda	Vegetable oil development project	Apr-97	May-98	Jul-98	Sep-09	19.90	21.44	Ongoing	World Bank
Venezuela	Economic development of poor rural communities project	Sep-96	Dec-97	Jun-98	Jun-07	11.99	40.22	Ongoing	CAF

Source: Project and Portfolio Management System and Loan and Grant System, as of 17/05/05

(a) Projects included in OE's country programme evaluations for Bangladesh, Benin and Indonesia.

(b) Projects evaluated by OE through interim/completion evaluations.

BOAD = Banque Oues Africaine de Développement

AFESD = Arab Fund for Economic and Social Development

CAF = Andean Development Corporation

(c) Projects included in the desk review by the IEE.

(d) Projects included in the country visits of the IEE.

AfDB = African Development Bank

AsDB = Asian Development Bank

WB = World Bank

**REPORT OF THE JOINT REVIEW ON SUPERVISION ISSUES FOR IFAD-FINANCED PROJECTS  
FIVE-YEAR PLAN OF ACTION (1997 - 2001)**

Activity	1996	1997				1998				1999				2000				2001			
		q1	q2	q3	q4																
<b>Recommendation 1</b> <b>To determine the minimum requirements for supervision of IFAD projects</b>																					
1 A committee to be formed in IFAD to determine minimum supervision requirements.		■																			
2 Committee to submit recommendations to management.			■																		
3 IFAD holds workshop to discuss recommendations with main CIs.				■																	
4 Revised Letter of Appointment of CIs to be negotiated with the CIs.					■																
5 A committee to review and standardize reporting format for supervision reports.				■																	
<b>Recommendation 2</b> <b>Improving present coordination procedures between IFAD and CIs to:</b>																					
(a) eliminate areas of overlap;																					
(b) improve areas for cooperation;																					
and (c) establish a more consistent reporting system																					
1 A committee to draw up guidelines for (a), (b) and (c).		■																			
2 IFAD holds workshop with CIs to discuss (a), (b) and (c).				■																	
3 Annual meeting with individual CIs (most meetings held at beginning of year).		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
<b>Recommendation 3</b> <b>Improving portfolio management</b>																					
1 <i>Ongoing activities</i>																					
(a) Country portfolio review.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(b) Reformulation of projects.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(c) Partial cancellation of loans.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(d) Mid-term reviews.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(e) Periodic loan portfolio review (Regional Divisions).		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(f) Corporate periodic portfolio review.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
2 <i>Skills and training requirements assessment for project controllers</i>																					
(a) Inventory of project controllers skills profiles.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(b) Defining the competencies (skills, knowledge, attitude to do the job).		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(c) Job description for project controllers (updated).		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
(d) Identification, training and development needs for the function of project controller.		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

\* Key issues to be discussed at workshop.

Activity	1996	1997				1998				1999				2000				2001			
		q1	q2	q3	q4																
<b>3 Project and Portfolio Management System (PPMS)</b>																					
(a) Design (October 1995 to February 1996).	█																				
(b) Construction (April 1996 to December 1996).		█	█																		
(c) Roll out. Training in the system.																					
(d) Full implementation of PPMS.																					
(e) Training of project controllers in time management.																					
(f) Training of project controllers in costab.																					
(g) A separate accounting system to be established to track the actual cost of direct supervision for test projects.																					
<b>Recommendation 4</b>																					
<b>Strengthening learning loop</b>																					
1 Ongoing activities:																					
(a) Interim evaluation.	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
(b) Mid-term evaluation.																					
(c) Completion evaluation.																					
(d) Country portfolio evaluation.																					
2 Development of computerized Evaluation Knowledge System (EKSYST).	█																				
3 Linking EKSYST with local area network.																					
4 Development of Document Management System.	█																				
5 Document Management System operational.																					
<b>Recommendation 5</b>																					
<b>Test projects to be supervised by IFAD</b>																					
1 Agreement by Governing Council for IFAD to supervise test projects.		█																			
2 Criteria to be used for selection of test projects to be submitted to Executive Board.																					
3 15 test projects to be determined (3 projects per region).																					
4 Identify and negotiate with reputable private national or international organizations to undertake procurement and financial administration.																					
5 Progress report of test projects to be reported to Executive Board.																					
6 Analytical accounting system to be established to track the actual cost of direct supervision as well as supervision by CIs.																					
7 Mid-term review of supervision of test projects to be submitted to Executive Board.																					
8 Establish monitoring system to evaluate the test projects.																					

**Table 1: Project Implementation Performance Assessed According to Ratings Included in Project Status Report**

Indicators Included in PSR	PSR Ratings		
	Directly Supervised	Control Group	Difference
Compliance with loan covenants	3.4	3.1	0.3
Availability of counterpart funds	3.5	3.2	0.3
Compliance with procurement procedures	3.7	3.5	0.2
Disbursement performance	3.4	3.0	0.4
Achievement of physical targets	3.3	3.1	0.2
Technical assistance progress	3.5	3.1	0.4
Performance of M&E system	3.2	2.6	0.6
Timeliness of reporting	3.6	3.2	0.4
Coherence between AWP/B and implementation	3.4	3.2	0.2
Quality of accounts	3.5	3.4	0.1
Project management performance	3.3	3.1	0.2
Expected benefits	3.4	3.2	0.2
Beneficiary participation	3.5	3.3	0.2
Institution-building	3.4	3.2	0.2

Source: PSRs

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

**Table 2: Project Implementation Performance Assessed According to Ratings of the Evaluation**

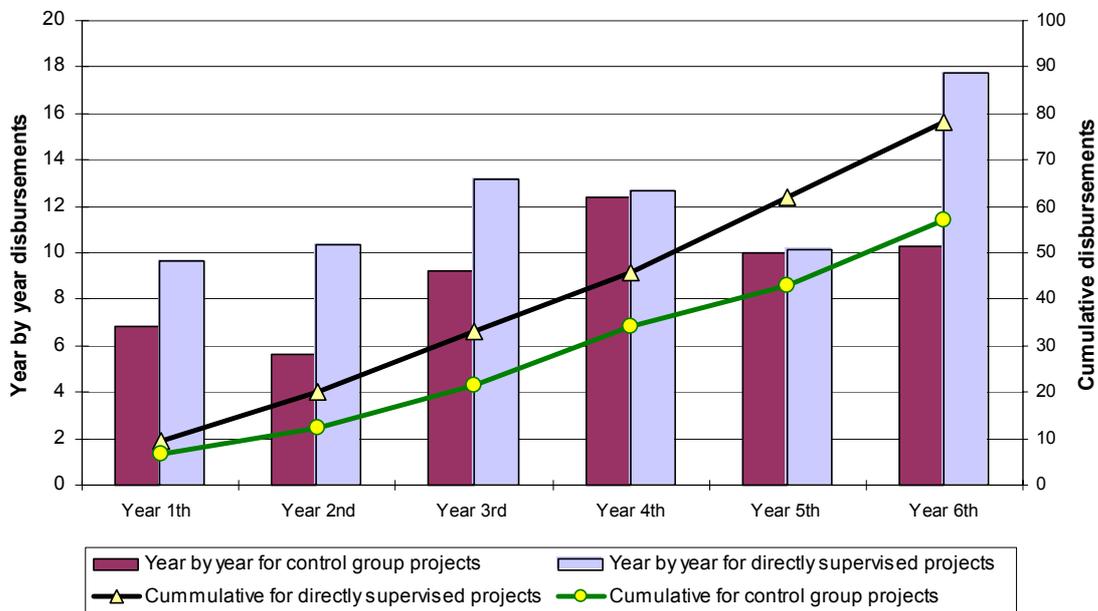
Indicators Included in PSR	Evaluation's Independent Ratings		
	Directly Supervised	Control Group	Difference
Compliance with loan covenants	3.3	3.0	0.3
Availability of counterpart funds	3.4	2.8	0.6
Compliance with procurement procedures	3.7	3.4	0.3
Disbursement performance	2.6	1.9	0.7
Achievement of physical targets	3.0	3.2	-0.2
Technical assistance progress	3.3	3.1	0.2
Performance of M&E system	2.8	2.6	0.2
Timeliness of reporting	2.8	2.9	-0.1
Coherence between AWP/B and implementation	3.0	3.1	-0.1
Quality of accounts	3.4	3.2	0.2
Project management performance	3.3	2.9	0.4
Expected benefits	3.4	3.1	0.3
Beneficiary participation	3.1	3.1	0.0
Institution-building	3.1	2.5	0.6

Source: Based on the data collected by and analysis of the evaluation

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high



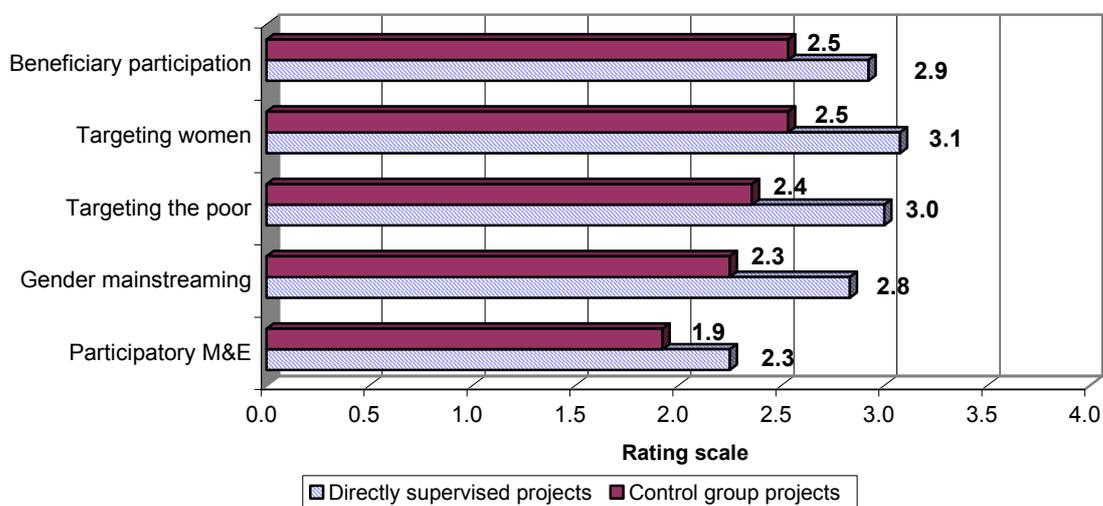
**Average Disbursement Rate (%) by Project Implementation Year**



Source: Data from the Loan and Grants System of IFAD

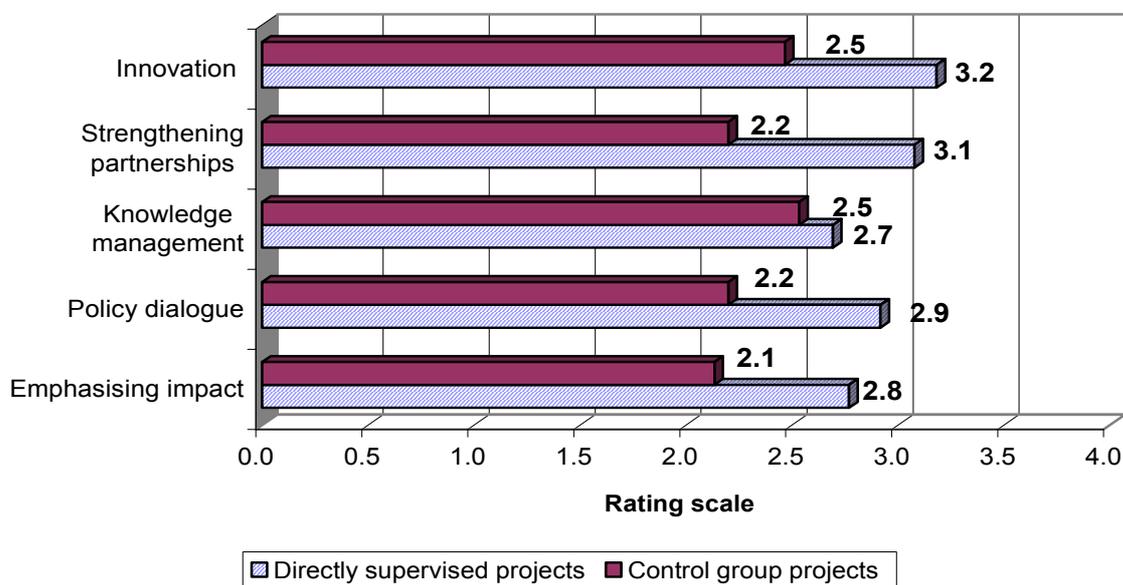


**Figure 1: Emphasis on Human Dimensions in Supervision**



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

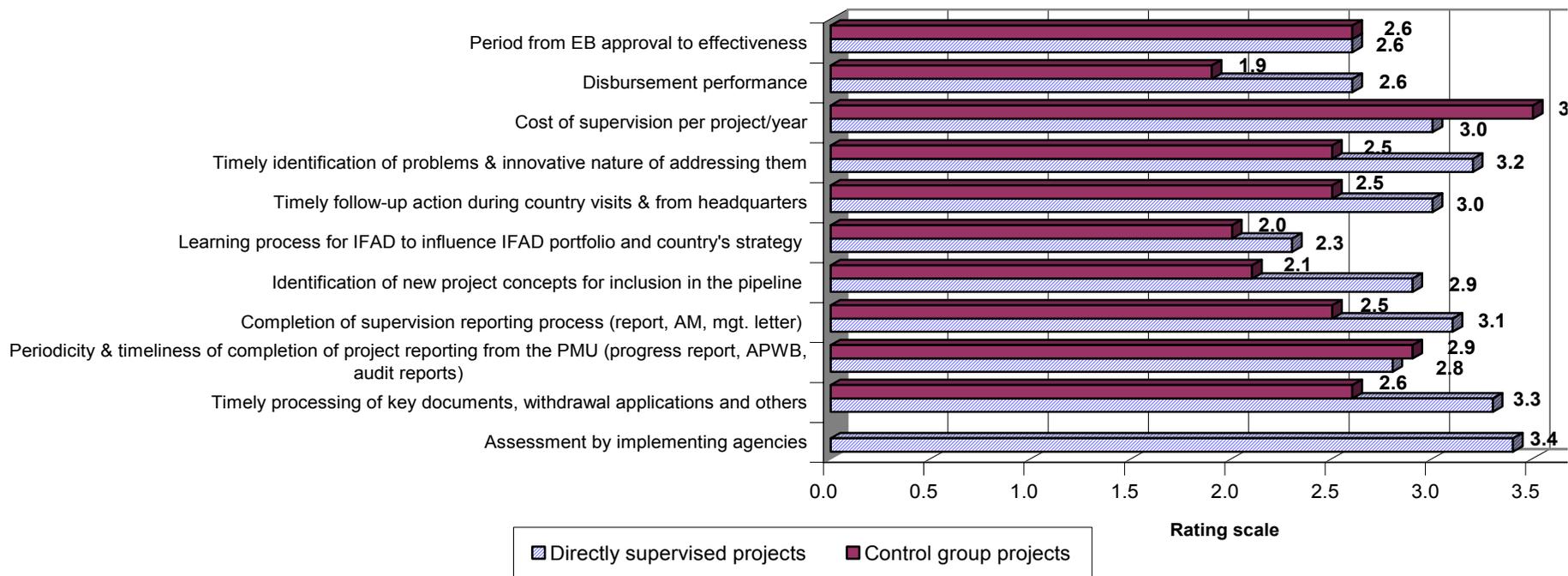
**Figure 2: Attention to Key Areas of IFAD’s Catalytic Role**



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high



**Figure 1: Assessment of direct supervision and CI-supervision based on IFAD impact indicators**



Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high

ANNEX VI

**Table 1: Comparison of Direct Supervision with CI Supervision Quality<sup>24</sup>**

Groups	Quality of Supervision Recommendations	Follow-Up Actions	Support Provided to Project
Directly supervised projects	3.3	3.2	3.3
CI-supervised projects	2.9	2.5	2.7

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high  
Source: Based on the data collected by and analysis of the evaluation

**Table 2: Actual/Potential Impact Using the Methodological Framework for Project Evaluation (MFE)**

Groups	Physical and Financial Assets	Human Assets	Social Capital and Empowerment	Food Security (production, income and consumption)	Environment and Communal Resource Base	Institutions, Policies and Regulatory Framework	Sustainability	Innovation/Replication
Directly supervised projects	2.7	2.9	3.3	2.9	2.5	2.8	2.5	3.0
CI-supervised projects	2.6	2.9	2.7	2.5	2.8	2.0	2.8	2.6

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high  
Source: Based on data collected by and analysis of the evaluation

**Table 3. Comparison of Impact (MFE against PSR)**

Groups	PSR Indicator: “Reaching development objectives”	MFE Composite Impact Index
Directly supervised projects	3.1	2.9
CI-supervised projects	3.0	2.5

Rating scale: 1=negligible, 2=modest, 3=substantial, 4=high  
Source: (i) PSR; and (ii) based on the data collected by and analysis of the evaluation

<sup>24</sup> **Quality of supervision recommendations** in terms of the appropriateness of advice and solutions proposed to the borrowers (including action plan), and consistency with the recommendations of the last mission. **Follow-up actions** refers to the appropriateness and speed of IFAD’s follow-up on agreed actions (including suspensions and warnings, if necessary). **Support provided to project** refers to timely identification of implementation problems and timely support in solving problems throughout project implementation, rather than only during missions.

ANNEX VII

**IFAD Impact Indicators for Direct Supervision**

1. Period between EB approval and loan effectiveness
2. Disbursement performance
3. Cost of supervision per project/year
4. Timely identification of actual and potential problems and innovative nature of addressing the issues
5. Timely follow-up action during country visits and from headquarters
6. Accumulation of first-hand knowledge and identification of cross-cutting issues to positively influence IFAD's entire portfolio and strategy in a given country
7. Identification of new project concepts for inclusion in the pipeline
8. Period between field missions, receipt of aide mémoire, preparation of supervision report and dispatch of management letter
9. Periodicity and timeliness in the receipt of project reports, e.g., progress report, annual programme of work and budget, and audit report
10. Timely processing of key documents, withdrawal applications, request for 'no objection', etc.
11. Assessment by implementing agencies

*Source: IFAD, Progress Report on the Project Portfolio, April 1999 (document EB 99/66/R.10/Rev.1).*



ANNEX VIII

**Table 1: Average Supervision Costs per Project per Year<sup>25</sup> (USD)**

	2001	2002	2003 <sup>26</sup>	2004	Average
Direct supervision	91 551	96 268	82 658	104 434	<b>93 300</b>
Control group	62 296	66 808	58 097	61 916	<b>61 461</b>

**Table 2: Average Supervision Costs per Project by Cost Component (USD)**

	CI Fees (A)	Implementation Support (B)	Total Supervision Costs (A+B)	Staff Costs (C)	Grand Total (A+B+C)
Direct supervision	12 278	40 656	52 934	40 366	<b>93 300</b>
Control group	35 139	14 084	49 223	12 238	<b>61 461</b>

**Table 3: Average Supervision Costs per Project per Year by Cost Component and by CIs (USD)  
(costs are based on 2001 and 2002 figures only)**

Cooperating Institutions	CI Fees (A)	Implementation Support (B)	Total Supervision Costs (A+B)	Staff Costs (C)	Grand Total (A+B+C)
World Bank	51 056	11 344	62 400	11 854	<b>74 254</b>
UNOPS	43 121	13 090	56 211	12 471	<b>68 682</b>
AfDB	35 967	7 274	43 241	12 691	<b>55 932</b>
AsDB	10 000	2 817	12 817	11 673	<b>24 490</b>

<sup>25</sup> Figures for 2001 and 2002 are from the IFAD Internal Audit (OA) cost analysis, undertaken for the project supervision audit, whereas the figures for 2003 and 2004 are provided by the accounting section, Office of the Controller, IFAD.

<sup>26</sup> Costs in 2003 are somewhat lower due to reduced implementation support costs. This may be explained by the fact that a new accounting system was introduced in 2003, which perhaps did not capture all costs related to implementation support during the transition phase.

ANNEX VIII

**Table 4: Supervision Cost Comparison with the Same CIs**

Supervision Modality/Cooperating Institutions	CI Fees (A)	Implementation Support (B)	Total Supervision Costs (A+B)	Staff Costs (C)	TOTAL (A+B+C)
<i>Actual supervision costs per project per year, 2001-2004</i>					
Direct supervision	12 278	40 656	52 934	40 366	<b>93 300</b>
Control group	35 139	14 084	49 223	12 238	<b>61 461</b>
<i>Supervision costs per project per year as included in the IFAD administrative budget document for 2004 and 2005</i>					
World Bank	80 000	11 344	91 344	11 854	<b>103 198</b>
UNOPS	53 531	13 090	66 621	12 471	<b>79 092</b>
AfDB	53 333	7 274	60 607	12 691	<b>73 298</b>
AsDB	10 000	2 817	12 817	11 673	<b>24 490</b>

## PART II – AGREEMENT AT COMPLETION POINT

### A. Introduction and the Core Learning Partnership

1. In 2004/05, IFAD's Office of Evaluation (OE) conducted a corporate-level evaluation (CLE) of the direct supervision pilot programme (DSPP), approved by the Governing Council in February 1997. The evaluation was undertaken in the second half of 2004 and first half of 2005. The evaluation report was finalized in mid-July 2005. A round-table evaluation workshop with representatives of IFAD management and staff, project and government authorities involved in the DSPP, IFAD cooperating institutions (CIs) and others was held in Bangkok on 28-29 July 2005 to discuss the evaluation's overall results and seek the views of the participants<sup>1</sup> on the draft agreement at completion point (ACP).

2. The ACP illustrates an understanding of the key evaluation findings and recommendations, proposals to implement them and a commitment to act upon them. The ACP builds on the evaluation's results and the discussions that took place during the round-table workshop. Section B of the ACP includes the main evaluation findings, and section C contains recommendations agreed by IFAD management.

3. The evaluation's core learning partnership (CLP) comprised the following representatives: the IFAD Assistant President of the Programme Management Department (PMD), the Director of the Office of Evaluation (OE), one country programme manager from each of the five regional divisions in PMD, the senior portfolio manager in PMD, one senior loans officer from the Office of the Controller, and the senior evaluation officer from OE responsible for the DSPP evaluation. The CLP met on a number of occasions and provided useful comments, in particular during preparation of the approach paper, finalization of the draft evaluation report and preparation of the draft ACP.

### B. Main Evaluation Findings

4. There is a consistent trend in the overall analysis of the evaluation which demonstrates that, compared with supervision by CIs, direct supervision has greater potential to contribute to better development effectiveness at the project level and, at the same time, allows for more attention to IFAD's broader objectives at the country programme level, such as policy dialogue and partnership building. Moreover, through direct supervision IFAD has been able to place special emphasis on issues of prime concern, such as gender mainstreaming, targeting and the building of grass-roots institutions.

5. Governments and other development partners at the country level have unanimously expressed deep appreciation for the more frequent contacts with country programme managers (CPMs), which has been facilitated by IFAD's direct supervision activities. The same partners conveyed that they find it more useful to deal directly with IFAD staff rather than with CI representatives. In this regard, for example, the partners conveyed that the response rate and follow-up on implementation issues are faster through direct supervision than supervision by CIs.

6. Direct supervision has contributed to developing IFAD's knowledgebase. In particular, the CPMs responsible for direct supervision have acquired knowledge of supervision processes, project implementation and general rural development issues in the countries concerned. This knowledge has enabled them to better design and implement new operations. However, the knowledge gained at the

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<sup>1</sup> This included directors/coordinators of the projects included in the DSPP, government representatives from the countries in which IFAD undertook direct project supervision, representatives of IFAD management, country programme managers and other staff, officials from various international development organizations, IFAD cooperating institutions and others

CPM level has not been systematically shared with others or sufficiently institutionalized, which is one of the main shortcomings of the DSPP.

7. The evaluation concludes that direct supervision allows the CPM to strengthen country-level coordination both within the context of IFAD operations and with the development community at large. It also facilitates the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities, which are mostly available at the country level, given that the majority of IFAD's international and bilateral partners have delegated an increasing amount of authority to their country representatives.

8. The evaluation also found that IFAD lacks a robust quality assurance system for direct supervision. As a result, the DSPP was approached and implemented in a variety of ways, based on the perception and understanding of individual CPMs. The evaluation concluded that better quality assurance would have led to even more positive results under the pilot programme.

9. The average cost of direct supervision per project per year (USD 93 300) is higher than the average cost of supervision by CIs (USD 61 461).<sup>2</sup> However, the evaluation argues that costs should not be seen in isolation from the benefits that the DSPP has demonstrated. Moreover, from discussions with the United Nations Office for Project Services (UNOPS), it is clear that the amounts paid by IFAD to UNOPS for supervision need to be increased if UNOPS is to deliver the type and quality of service IFAD requires in the future. In parallel, the evaluation feels that there is potential for efficiency gains in direct supervision if, for example, the fiduciary responsibilities related to supervision are entrusted to competent national entities or greater use is made of local consultants for implementation support activities.

10. The evaluation revealed that not all concerned have the same understanding of the notion of supervision. There is also a lack of adequate clarity on the roles and responsibilities of IFAD, CIs, project staff and government authorities in supervision processes. Additionally, many partners at the country level felt the term "supervision" – when applied to implementation aspects of projects, rather than to the fiduciary aspects – has a paternalistic undertone and felt uneasy with its continued use.

11. The evaluation notes that IFAD management's attention appeared to gradually diminish following the approval of the DSPP by the Governing Council. This is illustrated by the fact that IFAD did not fully implement all the decisions of the Governing Council. For instance, a mid-term review of the DSPP was not undertaken; no integrated analytic accounting system was established to track costs of the DSPP; and no monitoring and assessment system was set up to measure the performance and impact of direct supervision. One explanation management provided for this was that the zero-growth budget policy adopted by IFAD during the DSPP period may have played an indirect but important role. According to the evaluation, however, the Executive Board also did not exercise adequate oversight to ensure that IFAD fulfilled its commitments under the DSPP. The evaluation believes that the outcome of the DSPP would have been even more significant had all the requirements laid down by the Governing Council been implemented.

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<sup>2</sup> The actual amounts paid at present to UNOPS is around USD 79 000. It is worthwhile to note this, as UNOPS is serving as CI in a large majority of IFAD-funded projects. Hence, it may be appropriate to use the UNOPS supervision costs as the benchmark for assessing direct supervision costs. Moreover, it should be noted that IFAD conducted on average two supervision missions per project per year in the context of the DSPP, as compared with one mission by CIs.

### C. Recommendations Agreed Upon by IFAD

12. The ACP includes five key recommendations, which are mutually reinforcing. They should be all implemented fully to ensure that the desired impact is achieved in IFAD's future efforts in the area of supervision and implementation support. The evaluation notes that the implementation of the recommendations below will entail new responsibilities for PMD that will require the allocation of additional staff and financial resources as well as new competencies and skills.

#### **Recommendation 1: Develop a comprehensive supervision<sup>3</sup> and implementation support policy for IFAD**

13. The Fund should develop a specific overall supervision and implementation support policy for its operations which: (a) takes into consideration recent initiatives that are broadly related to supervision and implementation support (e.g. the Field Presence Pilot Programme); and (b) builds on the elements contained in IFAD's new operating model. The policy should include the elements described below.

14. **Supervision of fiduciary aspects.** In close collaboration with partner governments, the Fund is responsible for ensuring that the resources it provides are used for the intended purposes. In this regard, to undertake the supervision of fiduciary aspects, IFAD would – on a case-by-case basis, depending on the project or programme circumstances – decide whether to subcontract a competent national, regional or international entity to perform such functions.<sup>4</sup> Preference would be given to national entities, as and where reliable institutions exist, since their involvement would contribute towards building national capacities and reducing costs associated with the supervision of fiduciary functions. With regard to national entities, utmost attention would be given to ensuring that there is no conflict of interest between the entity and the IFAD operation under consideration. IFAD might itself consider to undertake the supervision of fiduciary aspects with appropriate training of CPMs. In choosing a particular alternative, professional competence, integrity and the capacity to accomplish the task in a timely fashion would constitute overriding considerations.

15. **Implementation support.** In this regard, the evaluation recommends that the policy make explicit that:

- (i) IFAD would be responsible for providing direct implementation support in all new projects and programmes following the approval by the Executive Board of the proposed supervision and implementation support policy. The CPMs would consequently be responsible for the process, content and outputs of direct implementation support activities. For projects that have not yet reached the mid-term review, IFAD would consider how the projects could take this policy into account.<sup>5</sup>

<sup>3</sup> The term "supervision" from now onwards in this document means "supervision of the fiduciary aspects" related to IFAD financing. See recommendation 2 for the definition of supervision.

<sup>4</sup> In this regard, it will be important to establish clear criteria to facilitate the decisions of management and also define the means to verify that potential partners actually meet the required standards and criteria.

<sup>5</sup> The evaluation recommended that IFAD should undertake implementation support in all its operations globally. However, management felt that there would be limited value added in undertaking direct implementation support in projects and programmes that are already effective and have only a few years left of implementation before closing. Moreover, the approach outlined in paragraph 15(i) would reduce the administrative burden to the Fund in arranging the transfer of all ongoing projects and programmes entrusted to CIs to IFAD for direct implementation support. Notwithstanding the foregoing, it is useful to note that the same evaluation recommendation states that: "Until the required level of financial resources are made available to the Fund, additional staff recruited in PMD and their competencies and skills developed and upgraded, IFAD may consider a phased approach to expand implementation support in all operations."

- (ii) Such support would cover all aspects of IFAD country programmes, both at the project level and beyond. With regard to the latter, implementation support could include key aspects related to IFAD's catalytic role, such as policy dialogue, partnership-building, and knowledge management. Moreover, implementation support would pay particular attention to the human dimensions of IFAD operations, including aspects related to gender mainstreaming, participatory processes and empowerment, institution-building, and the development and functioning of monitoring and evaluation systems. Grant-financed activities under the new grants policy should also be explicitly covered.
- (iii) The role of partner governments should be given due emphasis and specified. To this end, and where possible and required, governments will continue to be provided with capacity-building assistance to enhance their capacity to undertake more effectively the: (a) supervision of fiduciary aspects of a loan or grant agreement; and (b) ongoing monitoring of project/programme activities and providing implementation support, as required.

16. It is fundamental that the additional resource requirements for implementing the new policy be clearly articulated in a comprehensive and explicit manner by IFAD. This will require a detailed cost analysis, particularly of the elements described in paragraphs 14 and 15 as well as an assessment of the skills and competency of current CPMs and other concerned staff. Based on the aforementioned analysis, IFAD would develop a full proposal for meeting the additional resources involved in implementing the new policy.

17. The success of the new policy will also be determined by the support provided by IFAD management and the conducive environment it creates for this purpose. For example, management will need to ensure that appropriate opportunities are introduced for periodic staff training, establish an incentives framework and platforms for the sharing of knowledge acquired by CPMs, and allocate due time for reviewing experiences in implementation of the policy. The Board must also play a proactive role in exercising oversight in implementation of the new policy and in approving administrative budgets for this purpose.

18. The policy should be evaluable and include a roll-out and implementation plan with performance indicators that can be monitored periodically. In the interim period between now and the approval of the new policy, IFAD would continue to provide direct supervision and implementation support (as outlined in paragraphs 14 and 15) in ongoing projects/programmes in the countries included in the DSPP. Any additional projects would be approved by the Executive Board on a case-by-case basis only after legal authority has been provided by the Governing Council.

19. A separate section on supervision and implementation support should be included on a standing basis annually in the IFAD Portfolio Performance Report. The section should provide an analytic account of the opportunities and challenges in this area, as well as identify key lessons learned. Moreover, it should provide an indication of ongoing operational measures introduced by IFAD to address emerging issues.

20. The undertaking of supervision of fiduciary dimensions and implementation support will require revisiting, inter alia, Article 7, Section 2(g), of the Agreement Establishing IFAD.

21. Other integral aspects that the policy should consider are contained in recommendations 2 to 5.

22. **Implementation time frame:** The new supervision and implementation support policy would be presented to the Executive Board by mid-2007.

## Recommendation 2: Definition of supervision

23. The evaluation recommends that the concept of “supervision” as used by IFAD since the Report on the Joint Review of Supervision Issues and the Minimum Supervision Requirements be understood from now onwards as consisting of two distinct yet operationally linked components:

- (i) **supervision of fiduciary aspects;** and
- (ii) **supporting programme and project implementation.**<sup>6</sup>

24. The function related to supporting programme and project implementation” might include, inter alia, undertaking the periodic implementation support missions (previously called supervision missions), providing guidance for the preparation and implementation of annual work plans and budgets, following up on the recommendations of implementation support activities, identifying implementation problems based on interactions and dialogue with project authorities and other partners at the country level, providing timely support in problem-solving throughout project implementation both during and outside missions, facilitating access to knowledge and information to improve implementation, and organizing occasional ad hoc missions to provide technical assistance to projects or programmes, as required. This would also include oversight of project and programme implementation, for example, in terms of monitoring the achievement of physical targets.<sup>7</sup>

**25. Implementation time frame:** This definition would be utilized within the framework of the new comprehensive supervision and implementation support policy for IFAD.

## Recommendation 3: Supervision and implementation support in the framework of the COSOP

26. The evaluation recommends that an overall approach to supervision and implementation support be developed at the time of preparing the country strategic opportunities papers (COSOPs).<sup>8</sup> This would take into account the need to supervise the fiduciary dimensions of all operations (as per the proposal in recommendation 1), and the provision of implementation support to the country programme, in addition to the traditional support provided to projects so far. More specifically, supervision of fiduciary dimensions and implementation support should be seen and planned in a holistic manner with the country programme at the centre. The country-level strategic thrusts, where applicable, will be supplemented by project-specific requirements. These will be articulated in the project formulation reports.

27. The DSPP evaluation report includes other specific recommendations on this topic. IFAD concurs with all these recommendations and plans to implement them. However, it also feels that some of the recommendations are too detailed for inclusion in the ACP, which should capture mainly the broad directions for future action by IFAD.

**28. Implementation time frame:** The recommendation should be implemented in all COSOPs that are prepared after the approval by the Executive Board of the new supervision and implementation support policy. The key responsibility for implementation of this recommendation will remain with each regional division in PMD.

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<sup>6</sup> This could also be called “implementation support”.

<sup>7</sup> While the CPMs would be responsible for the overall output of such activities as outlined in paragraph 24, the activities may be undertaken in a variety of modalities including, for example, directly by the CPM or by making use of the services of individual consultants or local institutions.

<sup>8</sup> In fact, the COSOP could include a section devoted to supervision and implementation support matters.

**Recommendation 4: Quality assurance system**

29. Within the framework of an overall, enhanced quality assurance system at IFAD, there is a need to significantly improve quality assurance mechanisms for the supervision of fiduciary dimensions and implementation support activities. The evaluation recommends that:

- (i) IFAD should establish a management review committee within PMD at the departmental level devoted to reviewing supervision and implementation support activities, results and related operational issues. The committee would meet at least twice a year for this purpose.
- (ii) Six-monthly reviews of supervision and implementation support activities should be undertaken at the regional division level within PMD. The summary of discussions at these meetings should be circulated to all PMD divisions.
- (iii) Building on the experience of other international financial institutions and United Nations and other development organizations, an IFAD-specific quality assurance system should be established, which would review aspects of supervision and implementation support. The Fund would need to thoroughly reflect upon the most appropriate structure for such a group, which would ensure the most objective and independent review possible of its supervision and implementation support efforts.<sup>9</sup> The introduction of such a quality assurance group should take into consideration the mandates and performance of existing quality control systems within IFAD, such as the project development teams, the Technical Review Committee, and the Operational Strategy and Policy Guidance Committee.

**30. Implementation time frame:** PMD would implement recommendations 4(i) and 4(ii) by December 2006 and report to the Board on their progress in April 2007. Recommendation 4(iii) would be implemented with the framework of the Action Plan: IFAD Management's Response to the IEE by September 2007.

**Recommendation 5: Learning and knowledge management**

31. Necessary incentives need to be provided to IFAD staff, partners and beneficiaries to share the knowledge they acquire. For example, time needs to be carved out in the CPMs work load to accord higher priority to sharing knowledge generated through supervision and implementation support. Documenting and sharing knowledge should be included as an indicator in assessing the annual performance of CPMs. These recommendations would be implemented from the start of 2007.

32. Specific instruments need to be established for facilitating learning and knowledge-sharing inside and outside of IFAD. In particular, time should be reserved on a standing basis in the CPM forum for discussing issues and sharing knowledge generated through supervision and implementation support activities. Each project mid-term review and project completion report should include a specific treatment of supervision and implementation support issues, as should all evaluations undertaken by OE. Summaries of all OE evaluations should be posted on the Evaluation Knowledge System web site. The project and country status reports should be reformatted to include a narrative section on supervision and implementation support. Other instruments, such as peer reviews at the PMD divisional level in relation to implementation support activities, would also be introduced.

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<sup>9</sup> Although the ACP includes slightly different language in this paragraph as compared with the evaluation report, there is no deviation from the essence and fundamentals of the concerned recommendation arrived at by the evaluation.

33. Monitoring and evaluation systems at the project level need significant strengthening, if they are to contribute effectively to learning and knowledge generation by IFAD, its partners and beneficiaries. Moreover, in line with the new operating model, it is necessary to assist in developing integrated monitoring and evaluation systems at the country level. Every new COSOP developed starting from 2007 would include a proposal for setting up a monitoring and evaluation system at the country level, including objectives, resource allocation and operational modalities. IFAD would periodically organize workshops at the country and regional levels as mechanisms to cross-fertilize experiences and share knowledge.

34. Finally, IFAD would build on the experiences of other international financial institutions and United Nations and other development organizations and make more comprehensive use of information technology for knowledge management purposes in relation to supervision and implementation support. In this regard, it is recommended to expand the existing Programme and Project Management System (PPMS) so that it can carry updated summaries of supervision and implementation support activities at all times. An enhanced PPMS, when ready, would be made accessible to external partners through the IFAD web site.

35. **Implementation time frame:** The time frames for the implementation of each of the above recommendations are included in the corresponding paragraphs. PMD and its regional divisions are responsible for their implementation.