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President's memorandum

Modification of supervision arrangements

Executive Board — Ninetieth Session
Rome, 17-18 April 2007

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make the best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Recommendation for approval

The Executive Board is invited to approve a change in the supervision arrangements for the 26 projects listed in the table on page 3, whereby the cooperating institutions would be replaced by direct IFAD supervision. If the change is approved, the respective loan agreements would be amended and the letters of appointment of the respective cooperating institutions terminated.

President's memorandum

Modification of supervision arrangements

I. Introduction

1. In the agreement at completion point reached with the Office of Evaluation following the corporate-level evaluation of the Direct Supervision Pilot Programme (DSPP), IFAD management agreed, inter alia, to develop a comprehensive supervision and implementation support policy. This commitment was reiterated and elaborated further under IFAD's Action Plan for Improving its Development Effectiveness,¹ and the Governing Council approved the necessary amendments to the Agreement Establishing IFAD and to IFAD's Lending Policies and Criteria to permit IFAD to directly administer its loans and supervise its projects.
2. In response to the above commitment, Management formulated the IFAD Policy on Supervision and Implementation Support (IPSIS),² which was approved by the Executive Board in December 2006.
3. In line with the evaluation findings and DSPP operational experience, the IPSIS confirmed the need for IFAD to have a broader selection of supervising partners, to take more timely corrective action in the case of shortcomings of supervising partners, to conduct its own supervision, and to be more responsive and proactive on supervision findings through increased implementation support. Consequently, the IPSIS proposes a supervision and implementation support process that is responsive to concrete country and programme realities and provides IFAD with two main modalities: (i) supervision by IFAD, comprising different blends of headquarters staff and contracted service providers; and (ii) supervision by cooperating institutions, with more clearly specified roles for IFAD and its cooperating institutions. The policy stipulates that IFAD is always responsible for providing implementation support irrespective of the modality selected. At the same time, IFAD has seen increases in recent years in the fees it has to pay to some cooperating institutions for undertaking supervision.
4. The IPSIS envisages a gradual reduction in IFAD's reliance on cooperating institutions. In numerical terms, the number of projects under direct IFAD supervision will be increased from the current level of 5 per cent to a maximum of 75 per cent over an extended period of time. At least 25 per cent of the projects therefore will continue to be supervised by cooperating institutions, but with more robust IFAD implementation support. A subset of these projects will be made up of those initiated by cooperating institutions with IFAD cofinancing.

II. Projects under IFAD supervision

5. At the end of February 2007, the status of direct IFAD supervision in the current portfolio was:
 - 9 projects were ongoing under the DSPP; and
 - 13 new projects had been approved for IFAD supervision by the Executive Board in 2006 (September and December sessions).
6. The list of ongoing projects under the DSPP and those approved in 2006 for IFAD supervision are presented respectively in appendices I and II.
7. In addition to these 22 projects, 26 other projects have been identified by IFAD Management from the ongoing portfolio for IFAD supervision. As these projects are

¹ EB 2005/86/R.2/Rev.2, paragraphs 40 and 48.

² EB 2006/89/R.4/Rev.1.

currently entrusted to a cooperating institution for supervision, bringing them under IFAD supervision will imply a change in the supervision modality.

8. Flexible criteria, as suggested by the IPSIS, were used to select which projects would undergo a change in supervision modality. In most cases, selection was made on the basis of the complexity and difficulties of the project's operating environment, e.g. Albania, Cameroon, Guinea, Indonesia, Nigeria, Senegal and Yemen. Another subset constitutes projects in countries beset by varying degrees of conflict, e.g. the Republic of the Congo, Haiti and Nepal.
9. In line with the IPSIS, programmes with sector-wide approaches were brought under IFAD supervision. These include programmes in Mozambique, Rwanda and the United Republic of Tanzania. Projects with significant innovative elements have also been chosen (Burkina Faso, the Niger and Viet Nam). These countries also have some of the most innovative grant operations.
10. In order to enhance the development effectiveness of IFAD at the project level, Management has identified 26 projects where it proposes to change the supervision modality from cooperating institutions to direct IFAD supervision under the newly approved IPSIS. Of these, 24 projects are currently assigned to the United Nations Office for Project Services (UNOPS) and one each to the World Bank/International Development Association and the West African Development Bank. As IFAD's principal cooperating institution, UNOPS will continue to supervise the majority of IFAD projects even with the conversion of these 24 projects to IFAD supervision. Greater involvement by IFAD in supervising projects under UNOPS supervision has also been envisaged, along with corresponding adjustments in the resource allocation to cooperating institutions for implementation support.
11. The selection of which projects would undergo a change in supervision arrangements (i.e. conversion to direct IFAD supervision) was based also on government requests for greater involvement by IFAD. If the change is approved, the governments will be informed of the change in supervision modality. IFAD has been in contact with the borrowers and cooperating institutions concerned, and they are aware of this intention and are in agreement with the change. Discussions have been completed with the cooperating institutions on the supervision modality, and corporate-level discussions on the related budget issues between IFAD and UNOPS are ongoing.

List of ongoing projects to be brought under direct IFAD supervision

SN	Division	Country	Project ID	Project/programme name	Current cooperating institution	Approval date	Current closing date
1.	PA	Benin	1250	Rural Development Support Programme	UNOPS	13-Dec-05	not effective
2.	PA	Cameroon	1136	Community Development Support Project	UNOPS	23-Apr-02	31-Dec-10
3.	PA	Congo	1327	Rural Development Project in the Department of Niari	UNOPS	20-Apr-06	30-Jun-14
4.	PA	Guinea	1206	Sustainable Agricultural Development Project in the Forest Region	UNOPS	5-Sep-02	31-Mar-13
5.	PA	Niger	1329	Agricultural and Rural Development Rehabilitation and Development Project	UNOPS	14-Dec-06	not effective
6.	PA	Nigeria	1016	Roots and Tubers Expansion Programme	WB/IDA	9-Dec-99	31-Mar-10
7.	PA	Senegal	1019	Village Management and Development Project	BOAD	4-Dec-97	31-Dec-08
8.	PF	Mozambique	1326	Agricultural Support Programme (ASP)	UNOPS	20-Apr-06	not effective
9.	PF	Rwanda	1320	Support Project for the Strategic Plan for the Transformation of Agriculture	UNOPS	8-Sep-05	30-Sep-13
10.	PF	The United Republic of Tanzania	1273	Agricultural Services Support Programme	UNOPS	2-Dec-04	30-Sep-15
11.	PF	The United Republic of Tanzania	1306	Agricultural Sector Development Programme - Livestock Support for Pastoral and Agro-Pastoral Development	UNOPS	8-Sep-05	30-Sep-15
12.	PI	Bangladesh	1235	Microfinance and Technical Support Project	UNOPS	10-Apr-03	30-Jun-11
13.	PI	Bangladesh	1284	Microfinance for Marginal and Small Farmers Project	UNOPS	2-Dec-04	31-Dec-11
14.	PI	Democratic Peoples Republic of Korea	1154	Upland Food Security Project	UNOPS	7-Dec-00	31-Dec-07
15.	PI	Indonesia	1258	Rural Empowerment and Agricultural Development Programme in Central Sulawesi	UNOPS	2-Dec-04	not effective
16.	PI	Nepal	1119	Western Uplands Poverty Alleviation	UNOPS	6-Dec-01	31-Mar-14
17.	PI	Nepal	1285	Leasehold Forestry and Livestock Programme	UNOPS	2-Dec-04	31-Mar-14
18.	PI	Philippines	1253	Rural Microenterprise Promotion Programme	UNOPS	19-Apr-05	30-Jun-14
19.	PI	Viet Nam	1374	Programme for Improving Market Participation of the Poor in Tinh	UNOPS	14-Sep-06	not effective
20.	PL	Haiti	1070	Food Crops Intensification Project - Phase II	UNOPS	3-Dec-98	31-Mar-10
21.	PL	Haiti	1171	Productive Initiatives Support Programme in Rural Areas	UNOPS	24-Apr-02	30-Jun-13
22.	PL	Haiti	1275	Small-scale Irrigation Development Project II	UNOPS	14-Dec-06	not effective
23.	PL	Uruguay	1161	Uruguay Rural	UNOPS	7-Dec-00	31-Mar-08
24.	PN	Albania	1339	Programme for Sustainable Development in Rural Mountain Areas	UNOPS	13-Dec-05	30-Sep-12
25.	PN	Turkey	1189	Sivas-Erzincan Development Project	UNOPS	11-Sep-03	30-Sep-12
26.	PN	Yemen	1195	Dhamar Participatory Rural Development Project	UNOPS	5-Sep-02	31-Mar-12

PA: Western and Central Africa Division
 PF: Eastern and Southern Africa Division
 PI: Asia and the Pacific Division
 PL: Latin America and the Caribbean Division
 PN: Near East and North Africa Division
 SN: Serial number
 BOAD: West African Development Bank
 WB/IDA: World Bank/International Development Association
 UNOPS: United Nations Office for Project Services

Ongoing projects approved under the Direct Supervision Pilot Programme

	<i>Division</i>	<i>Country</i>	<i>Project ID</i>	<i>Project/programme name</i>	<i>Approval date</i>	<i>Current closing date</i>
1	PA	Mali	1089	Sahelian Areas Development Fund Programme	2-Dec-98	30-Sep-09
2	PF	Zambia	1108	Smallholder Enterprise and Marketing Programme	9-Dec-99	30-Jun-08
3	PI	India	1063	Jharkhand-Chhattisgarh Tribal Development Programme	29-Apr-99	31-Dec-09
4	PI	Indonesia	1112	Post-crisis Programme for Participatory Integrated Development in Rainfed Areas	4-May-00	30-Sep-09
5	PL	Brazil	1101	Sustainable Development Project for Agrarian Reform Settlements in the Semi-Arid North-East	3-Dec-98	30-Dec-08
6	PL	Dominican Republic	1068	South Western Region Small Farmers Project Phase II	3-Dec-98	30-Jun-07
7	PL	Peru	1044	Development of the Puno-Cusco Corridor Project	4-Dec-97	30-Dec-07
8	PN	Gaza and the West Bank	1079	Participatory Natural Resource Management Programme.	23-Apr-98	30-Sep-07
9	PN	Sudan	1045	North Kordofan Rural Development Project	28-Apr-99	31-Dec-08

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Projects approved in 2006 for IFAD supervision

	<i>Country</i>	<i>Project ID</i>	<i>Project/programme name</i>	<i>Approval date</i>	<i>Current closing date</i>	
1.	PA	Burkina Faso	1360	Agricultural Commodity Chain Support Project (PROFIL)	14-Dec-06	not effective
2.	PA	Gambia, The	1303	Rural Finance Project (Phase II)	14-Sep-06	not effective
3.	PF	Eritrea	1359	Post-Crisis Rural Recovery and Development Programme	14-Dec-06	not effective
4.	PF	Tanzania	1363	Rural Micro, Small and Medium Enterprise Support Programme (MUVI)	14-Dec-06	not effective
5.	PI	China	1323	Xinjiang Uygur Autonomous Region Modular Rural Development Programme	14-Dec-06	not effective
6.	PI	India	1381	Women's Empowerment and Livelihoods Programmes in the Mid-Gangetic Plains	14-Dec-06	not effective
7.	PI	Sri Lanka	1316	Smallholder Plantation Entrepreneurship Development Programme	14-Dec-06	not effective
8.	PL	Argentina	1364	Rural Areas Development Programme	14-Dec-06	not effective
9.	PL	Bolivia	1298	Enhancement of the Peasant Camelid Economy	14-Dec-06	not effective
10.	PL	Colombia	1294	Rural Microenterprise Asset Programme	14-Sep-06	not effective
11.	PN	Egypt	1376	Upper Egypt Rural Development Project	14-Dec-06	not effective
12.	PN	Sudan	1332	Butana Integrated Rural Development Project	14-Dec-06	not effective
13.	PN	Turkey	1344	Diyabakir, Batman and Siirt Development Project	14-Dec-06	not effective

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