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Enabling the rural poor
to overcome poverty

**Progress report on the implementation
of the recommendations made by the
corporate-level evaluation of the
Direct Supervision Pilot Programme**

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For: **Information**

Note to Executive Board Directors

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Progress report on the implementation of the recommendations made by the corporate-level evaluation of the Direct Supervision Pilot Programme

I. Introduction

1. The Agreement Establishing IFAD stipulates that the administration of loans and the supervision of project and programme implementation be entrusted to competent international institutions.¹ As questions arose with respect to the effectiveness of such an arrangement, a joint review of supervision issues was undertaken and the report was reviewed by the Executive Board in December 1996.² In February 1997, IFAD's Governing Council decided that up to 15 IFAD-initiated projects would be directly supervised and administered by IFAD on a pilot basis.³
2. The overarching objective of this initiative, referred to as the Direct Supervision Pilot Programme (DSPP), was to enable the Fund to acquire first-hand knowledge from supervision activities and incorporate lessons learned from ongoing operations more effectively into its project design work. It was also intended to provide IFAD with "knowledge of the supervision function, of what are the costs of adequate project supervision ... and of the development impact and human dimension of the projects in its portfolio". The Fund's involvement in direct supervision was also expected to complement and improve the activities of cooperating institutions.
3. In order to assess the results, in 2002/03 the Office of Evaluation (OE) undertook an evaluation of supervision modalities in IFAD-supported projects. This was followed in 2004/05 by a corporate-level evaluation of the DSPP (DSPP-CLE), which sought to assess the overall impact of the DSPP in enhancing the implementation and impact of IFAD-funded operations. The DSPP-CLE showed that direct supervision by IFAD:
 - (i) held greater potential to contribute to better development effectiveness, as it allowed greater attention to IFAD's broader objectives at the country programme level;
 - (ii) offered wider opportunities to country programme managers (CPMs) to pursue IFAD's objectives at the country programme level, including policy dialogue and partnership development;
 - (iii) contributed to developing IFAD's knowledge base; and
 - (iv) allowed CPMs to strengthen country-level coordination both within the context of IFAD operations and with the development community at large and facilitated the strengthening of existing IFAD-funded programmes and the identification of new programmes and cofinancing opportunities.
4. The evaluation also highlighted the need for strengthening IFAD's quality assurance system for direct supervision. Furthermore, it recommended that there be a clearer understanding of the roles and responsibilities between IFAD, cooperating institutions, project staff and government authorities. It also argued that while the average cost of direct supervision was higher than the average cost of supervision by cooperating institutions, cost should not be seen in isolation from the benefits the DSPP had generated.
5. Based on the major findings of the evaluation an agreement at completion point (ACP) was reached between IFAD management and OE, which, together with the

¹ Article 7, section 2(g), of the Agreement Establishing IFAD, which was amended in February 2006 to allow for loan administration and supervision of implementation by national, regional or other institutions or entities, as well as IFAD itself, when so approved by the Executive Board (Governing Council resolution 143/XXIX).

² This was undertaken jointly with four cooperating institutions: African Development Bank, Arab Fund for Economic and Social Development, United Nations Office for Project Services and the World Bank.

³ Governing Council resolution 102/XX "Loan Administration and Supervision of Project Implementation".

executive summary of the evaluation report, was presented to the eighty-fifth session of the Executive Board in September 2005 (EB 2005/85/R.9).

6. In the light of the foregoing, this progress report summarizes the headway made since the presentation of the ACP, in particular in implementing the recommendations made in paragraph 29 of the ACP and fulfils the reporting requirement assumed by IFAD management under paragraph 30 of that document.

II. Overview of progress made since the conclusion of the DSPP evaluation

7. At the completion point, IFAD management and OE agreed to implement five key recommendations:
 - (i) develop a comprehensive supervision and implementation support policy for IFAD;
 - (ii) redefine the concept of supervision by recognizing two distinct yet operationally linked components: supervision of fiduciary aspects, and supporting programme and project implementation;
 - (iii) develop an overall approach to supervision and implementation support in the country strategic opportunities paper (COSOP);
 - (iv) improve quality assurance in supervision and implementation support as part of the overall quality assurance system; and
 - (v) enhance learning and knowledge management.
8. The following main actions have been taken in implementing these recommendations:
 - (i) amendment of the Agreement Establishing IFAD (Governing Council resolution 143/XXIX), which allowed IFAD to entrust loan administration and project implementation to a variety of institutions or entities;
 - (ii) amendment of the lending policies (Governing Council resolution 143/XXIX), to allow project appraisal and the supervision of project implementation to be entrusted to a variety of institutions or entities and, on a selective basis, to allow project implementation to be supervised directly;
 - (iii) approval to continue direct supervision of the projects under the DSPP until such time as the IFAD loans for the projects are closed (Governing Council resolution 143/XXIX);
 - (iv) approval of the IFAD Policy on Supervision and Implementation Support (EB 2006/89/R.4/Rev.1), allowing IFAD to adopt two main modalities for responsive supervision, viz. supervision by IFAD and supervision by cooperating institutions; and
 - (v) approval of a revised framework for results-based COSOPs (EB 2006/88/R.4), describing how IFAD will manage diversified supervision arrangements.

III. Improvement of the quality assurance system

9. With respect to quality assurance, it was agreed at the completion point that – within the framework of an overall, enhanced quality assurance system at IFAD – there is a need to significantly improve quality assurance mechanisms. In particular, the following recommendations were agreed upon:
 - (i) establish a management review committee within the Programme Management Department (PMD) to review supervision and implementation support activities, results and related operational issues;
 - (ii) conduct six-monthly reviews of supervision and implementation support activities at the regional divisional level within PMD; and
 - (iii) develop an IFAD-specific quality assurance system that would review aspects of supervision and implementation support, including thorough reflection on an appropriate structure, e.g. a quality assurance group.
10. It was further agreed that the first two recommendations would be implemented by PMD by December 2006 with a report to the Board by April 2007. The third recommendation was to be implemented by September 2007 under IFAD's Action Plan for Improving its Development Effectiveness.
11. At the departmental level, the PMD Management Team (PDMT) – led by the Assistant President of PMD and comprising six PMD directors and some departmental staff – has assumed the role envisaged for the management review committee. This has made it possible to link the issue of the quality of supervision with such other processes as field presence and overall performance of the portfolio.
12. With respect to the reviews conducted during 2006, the PDMT discussed issues related to supervision and implementation support at four of its meetings. Apart from an overall review of the performance of cooperating institutions, the PDMT meeting focused on reviewing the draft policy on supervision and implementation support.
13. In addition, PMD took advantage of the portfolio review exercise as an opportunity to review the supervision arrangements and performance of cooperating institutions, in particular, where these institutions had underperformed. A summary of the review's conclusions was presented in the Portfolio Performance Report for 2005/06 (paragraphs 34-35, EB 2006/89/R.11).
14. In view of the crucial role played by supervision and implementation support arrangements in determining the overall health of the portfolio, improved project supervision and implementation support has been accorded very high priority in the PMD departmental management plan for 2007. In line with this plan and the IFAD Policy on Supervision and Implementation Support, the regional divisions of PMD have prepared a supervision plan for 2007 that contains a plan for supervising each project in the ongoing portfolio. These plans will make future reviews of the supervision and implementation support arrangements, as envisaged in the ACP, more productive and meaningful.
15. Within the context of IFAD's Action Plan for Improving its Development Effectiveness, IFAD management has been reviewing the overall quality assurance framework, including with regard to supervision and implementation support. The overall quality enhancement system is being reviewed in relation to the development of IFAD's new operating modality. These two tasks on systems development have now been merged into one, and a subgroup on quality enhancement and quality assurance has been established with a view to achieving a coherent system for enhancing and assuring quality. When completed, the output of the subgroup, which will be in the form of an integrated set of guidelines for entry, design and implementation, will provide a firm basis for assuring quality for supervision and implementation support as well.

16. To sum up, implementation performance against the recommendations agreed by IFAD management following the DSPP evaluation has been satisfactory. IFAD management is committed to improving project supervision and implementation support, and therefore will continue to accord high priority to this area with the immediate objective of reducing the number of problem projects in its portfolio and subsequently achieving greater development effectiveness.

