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## **Peer Review of IFAD's Office of Evaluation and Evaluation Function: Management's comments on the draft report**

Evaluation Committee — Sixty-first Session  
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For: **Review**

## **Note to Evaluation Committee members**

This document is submitted for review by the Evaluation Committee.

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# **Peer Review of IFAD's Office of Evaluation and Evaluation Function: Management's comments on the draft report**

## **I. Context and background**

1. The adoption of the IFAD Evaluation Policy by the Executive Board in April 2003 was a milestone in the history of IFAD. Under the policy, IFAD's Office of Evaluation (OE) was made independent in order to bring about an improvement in IFAD's performance in terms of operations and policies.
2. This is the first review of IFAD's evaluation function since OE became independent and the concurrent self-evaluation system began. As the report notes, "IFAD is in many ways a different organization from that when the Evaluation Policy was adopted." (Paragraph 4.) Significant strengthening of the self-evaluation system is one of the contributing factors. The peer review, therefore, is timely.
3. In keeping with IFAD's hybrid nature, the reviewers have used both an adapted form of the Evaluation Cooperation Group's (ECG) review framework for multilateral development banks and the peer review framework of the Development Assistance Committee-United Nations Evaluation Group. This has ensured methodological rigour and made the findings robust. Reviewers consulted IFAD Management and staff extensively and delivered the main outputs on time. IFAD Management wishes to record its appreciation of the work of the Peer Review Panel.
4. Overall, IFAD Management considers this a balanced, thorough, constructive and useful report. It has comprehensively addressed the areas of review agreed upon in the approach paper. Against this backdrop, Management's comments focus on: (i) addressing some factual errors and misinterpretations; (ii) indicating IFAD Management's agreement, or otherwise with the findings and recommendations; (iii) offering clarifications, where appropriate; and (iv) proposing actions that proactively respond to the critical recommendations.

## **II. Independence of the evaluation function**

5. IFAD Management is pleased with the finding that "... the support for and use of, evaluation within IFAD is at least on a par with, if not stronger than, in many similar aid agencies." (paragraph 128) and that the "IFAD evaluation system is arguably the most independent of UN agencies, ..." (paragraph 6). IFAD Management indeed values OE's independence and is pleased to confirm the panel's findings that "... [IFAD] Management, various PMD [Programme Management Department] managers and staff indicated, independently, that it was valuable for IFAD to have an independent evaluation function ..." (paragraph 128).
6. The panel raised the issue of the General Counsel's view of incompatibility between the Evaluation Policy and the Agreement Establishing IFAD (paragraph 17). IFAD Management would like to clarify that while, from time to time, it has sought legal interpretation of various provisions of the Evaluation Policy, no legal opinion stating fundamental incompatibility between the constitution document and the Evaluation Policy has been issued by the General Counsel. However, as these documents were drafted at different times in IFAD's development, they sometimes lack consistency and thus require interpretation. In this light, IFAD Management fully supports the proposal that the General Counsel prepare an analysis for the Executive Board clarifying the issue of the legal framework for OE's independence in a way that is "consistent with the language, spirit and provisions in the Evaluation Policy." (Paragraph 19.) While the stock-taking of the legal documents needing revision could start immediately following the adoption of this recommendation by the Board, presentation of the findings could be synchronized with the submission of

the revised Evaluation Policy and Terms of Reference and Rules of Procedure of the Evaluation Committee (paragraph 138(iv)).

7. IFAD Management has always ensured that OE has unfettered access to information and contacts in countries in which projects are implemented (paragraph 22) and is committed to enshrining this principle in the President's Bulletin on the IFAD Evaluation Policy when it is revised. Management agrees with the panel's view that "it should not generally be necessary for Director OE to meet with heads of state for evaluations." (Paragraph 22.)
8. While endorsing the proposal for a single six-year, non-renewable term for the Director, OE (paragraph 33), IFAD Management would like the panel to consider recommending a revision of the provisions set forth in paragraph 22 of the Evaluation Policy to indicate that the President shall appoint the Director after consultation with the Executive Board. The President is the appointing authority, according to IFAD's basic document. The document goes on to state that the President must exercise this authority in the IFAD's best interest and in accordance with the directives of the relevant governing bodies. Therefore, it is possible for the Executive Board to be assured of the independence of the evaluation function without altering the appointing authority of the President, as the President consults with the Executive Board prior to appointing the Director, OE. With regard to the performance review of the OE Director, the panel may consider recommending that the President conduct the performance evaluation, after consultation with the Chairman of the Evaluation Committee, in line with the practices applicable for international civil servants.
9. On the recommendation that the OE Director should hold a grade/rank at least equal to that of operational department heads, with commensurate compensation (paragraph 34), IFAD Management would like to clarify that grades in IFAD are determined on the basis of the span of management (i.e. number of staff directly supervised by the manager), the size of budget managed, and the requirement for coordinating tasks entailing the participation of senior-level managers. Currently, the Associate Vice-President (not "assistant Vice President" as cited in paragraph 34) has 11 directors and a number of additional professional staff reporting directly or indirectly to him. The department has about 123 professional staff and a budget of US\$67 million for 2010. In contrast, the Director OE manages about 12 professional staff and a budget of US\$6.2 million. OE also has a Deputy Director post, which is an exception in IFAD as no other divisions, even those much larger than OE, have such posts. It is also not clear to IFAD Management how a higher grade and salary scale would affect the behavioural independence of the OE director, given the direct functional oversight already provided by the Executive Board. In this light, IFAD Management believes that, given the relatively small size of the organization and the cost implications inherent in implementing such a change, the current director-level post (D2) for leading OE is appropriate.
10. IFAD Management fully agrees with the panel's recommendation to abolish the ad hoc panel for the recruitment and promotion of OE staff (paragraph 38) and establish a structure more similar to IFAD's standard interview panels, and to strengthen the OE interview panel by including an external evaluation expert well-versed in the skill requirements of evaluators. Furthermore, Management agrees to the recommendation on the rotation of OE staff to other parts of IFAD. In this regard, IFAD Management endorses the panel's view that the Associate Vice-President or his designate should be sit on hiring panels (paragraph 38). On the recruitment of the Deputy Director and all other OE staff, IFAD Management fully endorses the Panel's option (iii), which suggests the inclusion of "two recognized outside evaluation experts on the interview panel, one of whom would be the chairperson." (Paragraph 39.) However, Management does not agree with the compulsory delegation of the President's appointing authority to the Director, OE as that would be incompatible with the Agreement Establishing IFAD.

Management believes that delegation of authority to the Director, OE to manage the recruitment process is sufficient to guarantee OE's independence.

11. IFAD Management concurs with the panel's suggestion that rather than the Director, OE, it should be the Chief Finance and Administration Officer, Finance and Administration Department – as the person who already approves waivers for the rest of IFAD – who approves waivers for OE (paragraph 42). IFAD Management takes note of the panel's endorsement of the provision in the President's Bulletin on the IFAD Evaluation Policy that nothing prevents "... the President from exercising his authority to initiate investigations through the Oversight Committee [now Sanctions Committee] of the activities or conduct of the Director of OE or the staff of OE." (PB:2003/13.) Similarly, IFAD Management agrees with the panel's conclusion that being subject to the organization's procurement procedures does not result in an infringement of the independence of the evaluators, and that therefore OE should be similarly subject to IFAD's rules and procedures concerning the procurement of goods and services (paragraph 42).
12. Management finds the information contained in paragraphs 35-36 regarding the selection process for the Deputy Director, OE to be misrepresentative and lacking factual basis. Accurate information on the process and selection considerations was verbally provided to the Peer Review Group when the members visited IFAD. Management requests that the report be modified to reflect an accurate account of the events, and thus provide an appropriate basis for evaluation.

### **III. Governance and accountability**

13. IFAD Management fully endorses the panel's conclusion that "OE should not be perceived as being 'above the law' with respect to audit and accountability." (Paragraph 58.) It also agrees that the requirement for internal auditors to consult the Director, OE (paragraph 58) should be dropped from the Evaluation Policy. IFAD Management is willing to provide any assistance that the Evaluation Committee and OE may need to present a detailed activity-based budget, as has been the practice of the rest of IFAD for several years (paragraph 56). Regarding the recommendation for an external review of the stewardship of financial resources and compliance with various IFAD policies and procedures by OE, IFAD Management suggests that such review be undertaken by the Office of Audit and Oversight (OA) to ensure application of proper checks and balances. This will also reduce the costs of such a review as OA already has access to the requisite background and knowledge of the policies, processes and systems under review. Management also concurs with the recommendation that the Evaluation Committee request OE and the Finance and Administration Department to develop a joint proposal for the Committee's consideration on the provision of more meaningful financial information about OE's activities.
14. While appreciating OE's emphasis on ensuring accountability and sharing the panel's view that accountability – when well understood – supports learning, IFAD Management feels that OE should accord more priority to learning aspects in future, particularly in the following areas by:
  - (a) "Front-loading" OE's contribution by moving away from the practice of providing comments on IFAD documents at the time of dispatch, and engaging earlier in the process;
  - (b) Making the evaluation process more collaborative;
  - (c) Focusing more on the "why questions" in order to discover "why the performance was as it was" by focusing less on performance rating and more on analytical depth; and
  - (d) Tailoring its overly standardized approach through increased flexibility and enhanced context-specificity in applying evaluation approaches (table 2).

15. In addition, evaluations need to explore new territory; look at issues in innovative or appreciative ways; and apply the evaluation methodology more flexibly. More importantly, the setting up of evaluations explicitly as an opportunity for learning is critical. Management suggests that the panel reflect more on this subject when finalizing the report. At a more operational level, learning would improve if OE could maintain a comprehensive and easily searchable database of all evaluation reports. Similarly, evaluation notes could cover more topics.
16. Management agrees with the principle stated by the panel that "Independence does not mean isolation, as both operation and evaluation activities are enriched through cross-fertilisation of knowledge and experience ..." (paragraph 12(ii)). IFAD Management would be willing to assist OE in increasing the competence of OE staff in operations (table 2).
17. In terms of internal audit, the current situation is that the President approves the OA work programme prior to its presentation to the Audit Committee for review. The Audit Committee can then make audit proposals to the President for his consideration. IFAD Management believes that OE transactions and activities should be considered for audit and included in audits of compliance with prescribed processes and practices along with those of other parts of the organization, thereby holding OE management similarly accountable. With respect to the two audits referred in paragraph 57, IFAD Management wishes to clarify that for both audits the OE Director was consulted in the early planning stages with respect to the risks and processes to be examined. The panel recommended expanding the Evaluation Committee's role to include consultation on planned audits of OE and empowering the Evaluation Committee – in consultation with the chair of the Audit Committee – to agree to such audit proposal, prescribe an external audit or veto the proposed audit. Management finds that such expanded functions would unnecessarily overlap with the Audit Committee's responsibilities to the Executive Board.
18. With respect to the recommendations on the Executive Board and the Evaluation Committee (paragraphs 60-66), IFAD Management would like to clarify the following:
  - (a) On developing the code of conduct for Executive Board members and/or revising the IFAD Evaluation Policy to include provisions to exclude Executive Board members and members of the Evaluation Committee from consideration for a position in OE until a suitable cooling-off period has elapsed, the September 2009 session of the Board has already decided that "... the [Audit] Committee should proceed with the development of a code of conduct for Executive Board members, while noting Cameroon's opposition to this." (EB/97 minutes, paragraph 69.)
  - (b) On the appointment of a deputy chairperson for the Evaluation Committee (paragraph 66(v)), IFAD Management suggests that the Evaluation Committee consider its appropriateness in view of the institutional practice for committees of the Executive Board, the rationale for adding an additional layer and the effect of such action on the political balance among the List countries.
  - (c) On the recommendation that only full Executive Board members should be members of Evaluation Committee, it is to be noted that the members of the Executive Board are states, not individuals. The Fund has no authority to determine for the countries who they delegate to the organs of organizations. It is noted, however, that in most cases the same representative of a member attends both the Executive Board and the Evaluation Committee.
  - (d) On the recommendation that the Executive Board/Evaluation Committee review published evaluation reports rather than special summaries thereof

(paragraph 105), IFAD Management would like to clarify that the full-length documents are available to any member upon request to OE. Management is conscious of the already large volume of documents routinely circulated to Executive Board members for discussion at Board sessions.

19. Subject to the above clarifications, IFAD Management generally agrees with the recommendations made by the panel in paragraphs 60-66, and undertakes to consult with OE and others to ensure smooth implementation of said recommendations. Management requests that the panel reflect on whether it is appropriate for Committee members to be directly involved in activities for which they exercise oversight responsibility on behalf of the Executive Board and also whether this practice exists in other international financial institutions represented by the ECG. That said, new roles and responsibilities will be laid out in the revised President's Bulletin. With respect to the panel's recommendation that support to the Evaluation Committee be provided by the Office of the Secretary (ES), and keeping in mind the resource requirements (paragraph 28 below), ES and OE will treat 2010 as a transition and handover period, after which ES will provide all support to the Evaluation Committee and will take full responsibility for organizing the country visits of Executive Board members. It should also be noted that ES already organizes induction sessions for Board members and these include an overview of the IFAD's governance structure and processes

#### **IV. Quality of self-evaluation and independent evaluation**

20. IFAD Management agrees with the panel finding that IFAD's self-evaluation started on a weak base in 2004 (paragraph 74) but went on to make substantial progress (paragraph 76), and that this development "represents a major accomplishment" (paragraph 86). In addition, in terms of design and coverage, IFAD's self-evaluation products are moving towards those used by other ECG members in that they rely on the universe of the projects completed and avoid issues related to sampling size or method. IFAD Management also notes the panel's conclusion that the project completion reports (PCRs) demonstrate no systematic bias towards positive ratings and that the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions is a valid reporting system for Management.
21. For obvious reasons, IFAD Management is keen to receive aggregate reports such as the Annual Report on Results and Impacts of IFAD Operations (ARRI) that document changes in **overall portfolio performance**. For methodological reasons, ARRI results do not reflect overall portfolio performance. Consequently, IFAD Management considers the panel recommendation that "OE should move to a scenario in which evaluation of the core operations portfolio is based on validated evidence from PCRs and OE's project assessments." is wide ranging but appropriate. (Paragraph 79.) Not only would this enhance the reliability of the results reported to the Executive Board, but it could also contribute towards a more collaborative working relationship among independent evaluation systems, self-evaluation systems and actual operations.
22. In light of the above, IFAD Management agrees in general with the other recommendations contained in paragraph 79 regarding validation and use of PCRs. Through PMD, Management will therefore initiate consultations to agree on the process for managing transition and amend the harmonization agreement to reflect the new roles and responsibilities, soon after the Executive Board adopts the peer review report. Management also agrees with the panel's recommendation that the provision making interim evaluations mandatory be deleted from the Evaluation Policy. Management is committed to assisting OE in adopting approaches that reflect current developments in the international evaluation community (paragraph 81).

23. With respect to the other recommendations related to self-evaluation, IFAD Management's views are listed below.
- (a) As concluded by the panel, PCRs are of sufficient quality to be used as per ECG best practice. Quality can be enhanced through increased use and transparent validation by OE;
  - (b) While the Results and Impact Management System (RIMS) helps IFAD Management report on project-level output and the project's impact on child nutrition and household assets, the development of RIMS preceded that of other instruments of the self-evaluation system. A review will be undertaken in order to harmonize the RIMS with the rating systems of project status reports, project completion reports and OE;
  - (c) As noted by the panel, improving project monitoring and evaluation (M&E) is a complex task. Adoption of a donor-driven extractive M&E system could run counter to the spirit of alignment with the national system as advocated by the international community in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. IFAD will reflect upon its role with respect to project M&E with this in mind;
  - (d) IFAD Management agrees with the recommendation for the panel to prepare a costed action plan to allocate additional funding and more staff time to strengthening the self-evaluation systems (recommendation 5). Management expects this plan to be resourced modestly in view of competing demands for resources, in particular in PMD, and will aim mainly at improving knowledge management and the quality and use of the PCR process.
24. IFAD Management notes the panel finding that "Most OE staff do not have strong backgrounds in evaluation methodologies and their use" and that "only one OE staff has recent operational experience in IFAD." (Table 2.) The panel rightly comments that "The lack of staff with operational experience and skills in broader evaluation methodologies has implications for OE's evaluation model." (Table 2.) IFAD Management would like to add that this also has implications for IFAD's overall operations as OE staff, other than the Director, can move to other parts of IFAD. In this light, IFAD Management suggests that the panel directly address the issue of human resources in the final report by:
- (a) Analysing the implications of suggested changes in evaluation approaches and methodologies for OE's human resource requirements, in particular with respect to the skill sets required;
  - (b) Analysing the need, possible role, and costs and benefits of retaining the post of the Deputy Director; and
  - (c) Suggesting ways and means to address the human resources issues emanating from the points raised in table 2 and those related to changes in evaluation approaches and methodologies.

## **V. Management and efficiency**

25. IFAD Management notes the efforts made by the review panel to analyse the operational efficiency of OE and recommend alternative approaches for enhancing OE's efficiency. Management is strongly committed to enhancing IFAD's overall organizational efficiency, and OE's contribution to this goal would be of significant value. With this in mind, OA has now benchmarked OE's cost for IFAD against the situation of other international financial institutions through requests to their internal audit functions. Five institutions have responded so far (the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, and the European Investment Bank), reporting the weighted average cost of their independent evaluation functions as 1.25 per cent of total organizational administrative budgets



and 0.017 per cent of the annual programme of work, compared with 4.06 per cent and 0.91 per cent respectively for IFAD in 2008. These figures reconfirm the panel's finding that, notwithstanding the economies of scale in larger organizations, efficiency gains and cost-savings could be achieved, mainly by doing things differently (paragraph 94 and 95).

26. OE's cost-effectiveness is an important concern for IFAD's governing bodies (paragraph 89). Therefore, Management finds highly relevant the panel recommendation that "In general, the scale, extent, and cost of evaluations, and in particular visits to the field, should be reduced to bring these into line with the cost of evaluations at MDBs [multilateral development banks] and other aid agencies." (Paragraph 116.) The panel's findings with respect to administrative, management and financial systems; a move from project evaluation to self-evaluation; a shift of responsibilities from OE to ES and PMD; adoption of simpler and more flexible approaches; and more effective and efficient management of consultants have, in Management's view, a significant bearing on OE's overall efficiency.
27. Regarding the delegation of authority, IFAD Management is committed to delegating authority to the Director, OE as per the panel's recommendation and best practice within the United Nations system and among MDBs. However, a "highly centralised OE structure with limited delegation of authority", as noted by the panel (paragraph 98), is not in keeping with the spirit of an empowering management culture. IFAD Management suggests that this issue be appropriately addressed in the final report and specific recommendations made.
28. Management notes the panel recommendation that the Executive Board take decisions on how to use the cost-savings that would result from the changes in evaluation approach and methodology. IFAD Management believes that such a decision would involve a net shift of resources from OE to IFAD Management, in particular, to ES and PMD, in view of:
  - (a) The proposed shift of the secretariat of the Evaluation Committee, including field trip organization, from OE to ES; and
  - (b) The shift in the leadership of the agreement at completion point process and organization of stakeholder workshops (paragraphs 111-112) from OE to PMD.

## VI. Use and influence

29. The report discusses the "audience" for evaluation reports (paragraph 105). While agreeing that the **primary** audience is the Evaluation Committee, Management wishes to clarify that for all IFAD business processes directly affecting borrowing Member States, its priority is to involve these countries to the maximum extent. This may be an area where IFAD's approach differs from that of other ECG members. Indeed, the panel's statement that "The evaluation units in most ECG members view their institutions as their main client and user of evaluation findings ..." (paragraph 124) implies a substantially different position from that of IFAD. The panel may wish to reflect further on this aspect and nuance the findings and recommendations accordingly. It is important, however, that to the extent possible evaluation recommendations are addressed to operational staff rather than to the governments (paragraph 124). In organizing stakeholder workshops, as recommended by the panel, PMD will ensure the participation of relevant OE staff. The harmonization agreement will be revised accordingly. In revising the agreement, a balance will be sought between on-demand travel by OE staff to attend essential country-level learning events and the panel's recommendation to reduce costs (paragraph 25 above).
30. In general, IFAD Management agrees with the use and influence of evaluation products summarized in table 4. However, in the row summarizing the Report on IFAD's Development Effectiveness (RIDE), the areas identified for possible OE evaluations (penultimate sentence) are more within the remit of OA. IFAD

Management reiterates its commitment to becoming a learning organization; it will undertake self-evaluations and use its products to that end. The recommendations made to OE to address learning-related issues (paragraphs 129 and 130) are relevant. Similarly, increased participation of OE in the relevant meetings, and the production of more digests and syntheses would contribute to better knowledge sharing. Towards this end, IFAD Management will post about 80 project completion report digests on its intranet by March 2010. Further knowledge products emanating from the PCRs will be identified in due course and presented in the action plan (paragraph 23(iv)). IFAD Management appreciates the suggestions to strengthen the core learning partnership (paragraph 135) and suggests that the panel identify the unit responsible for implementing these recommendations in the final report.

**A. Suggested first steps**

31. With respect to the working group's composition, while agreeing with the panel's recommendation, IFAD Management suggests that the IFAD President direct the General Counsel or a designated staff member in the Office of the General Counsel to attend the meetings, in accordance with the Rules of Procedure of the Executive Board. This will help ensure congruence with IFAD's constitutional and policy documents.
32. It is Management's view that the final version of the peer review should include a framework document outlining the actions to be taken by the Executive Board, the Evaluation Committee, the Audit Committee, the Office of Evaluation and IFAD Management, along with a timeline and resource implications. This would facilitate the implementation, monitoring and follow-up of the recommendations.

