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Enabling poor rural people
to overcome poverty

Management's response to the Peer Review of IFAD's Office of Evaluation and Evaluation Function

Evaluation Committee — Sixty-second Session
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For: **Information**

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I. Introduction

1. This is the first review of IFAD's evaluation function since IFAD's Office of Evaluation (OE) became independent, following the adoption of the IFAD Evaluation Policy by the Executive Board in April 2003. As the report notes (in paragraph 4), "IFAD is in many ways a different and stronger organization than it was before." IFAD's assumption of responsibility for direct supervision, the gradual expansion of IFAD's country presence and significant strengthening of the self-evaluation system, inter alia, have helped in creating this difference. In recent years, IFAD's resource base has expanded, as has its development effectiveness. Owing to the adverse impact of food price volatility and the financial crisis, the number of rural poor people has increased, and so has the demand for IFAD's services. In this context, the Peer Review of IFAD's Office of Evaluation and Evaluation Function is timely and is welcomed by Management.
2. Overall, Management considers this a balanced, thorough and constructive report. It addresses comprehensively the areas of review agreed upon in the approach paper. Management also considers the methodology adopted rigorous and the findings relevant. Reviewers consulted IFAD Management and staff extensively and delivered the main outputs on time. Management wishes to record its appreciation of the work of the Peer Review Panel and convey its thanks to the Evaluation Cooperation Group (ECG) for undertaking the review.
3. With respect to the context, it is important to note that the recommendations made in the Peer Review Report should be considered within the framework of the Agreement Establishing IFAD and the Evaluation Policy and not as stand-alone prescriptions that supersede either the Agreement or the policy.
4. In line with the recommendations made by the ECG, this response aims to provide the Board with appropriate information for its consideration of the report (paragraph 141(ii)). Since OE reports directly to the Executive Board, a large part of the recommendations are addressed either to the Executive Board or to OE and a relatively smaller part to IFAD Management. Against this backdrop, Management's comments focus on:
 - (a) Responding to the recommendations addressed to Management;
 - (b) Highlighting critical recommendations that need active support from IFAD Management for effective implementation; and
 - (c) Providing clarification, where deemed appropriate.
5. In preparing this response, the emphasis has been on responding to the recommendations summarized at the end of the main text (section IV). Management also refers to detailed findings and recommendations appearing in other parts of the report that were considered to have significant policy implications. (In such cases, the relevant paragraph numbers have been provided for ease of reference.)

II. Specific recommendations and Management's response

6. The existing Evaluation Policy aims at improving the performance of the Fund's operations and policies by promoting accountability and learning (EB 2003/78/R.17, paragraph 5). As such, evaluation is as an important contributor to IFAD's strategy for rural poverty reduction (paragraph 4). The panel's recommendations related to the effectiveness and quality of evaluation (chapter III), in particular the last five recommendations (recommendations 3 to 7) have a direct and significant bearing on

the achievement of IFAD's overarching goal, and specifically on the purpose of the Evaluation Policy. Most of the findings and recommendations presented in this section have far-reaching consequences for the quality of independent evaluation and the self-evaluation system and also for the impact that IFAD can have on rural poverty. Management's response therefore presents its views on these recommendations first, followed by its response to recommendations 1 and 2 (chapter II), which deal mainly with organizational issues related to independence and governance.

A. Effectiveness and quality

7. **Recommendation 3:** *OE harmonizes its approach to evaluation with that of Evaluation Cooperation Group good practice by basing OE's portfolio and project assessments more heavily on evidence drawn from validated Project Completion Reports.*
8. IFAD Management is pleased to note the panel's finding that: (i) IFAD's self-evaluation started on a weak base in 2004 but went on to make substantial progress (paragraphs 74 and 76); (ii) most components of the self-evaluation system have been put in place or significantly strengthened since 2006, a development that represents a major accomplishment; (iii) IFAD's self-evaluation products are moving towards those used by other ECG members, in terms of design and coverage; and (iv) the project completion reports (PCRs) demonstrate no systematic bias towards positive ratings and as a result there is a strong correspondence between the ratings of self-evaluations and independent evaluations.
9. IFAD Management is keen to receive aggregate reports such as the Annual Report on Results and Impact of IFAD Operations (ARRI) that document changes in overall portfolio performance. The results shown by the ARRI, however, do not necessarily reflect overall portfolio performance since the samples are not selected randomly. Consequently, IFAD Management supports the panel's recommendation that OE should move to a scenario in which evaluation of the core operations portfolio is based on the combination of validated evidence from PCRs and from OE's project performance assessments (paragraph 79). IFAD Management will therefore consult with OE with a view to amending the harmonization agreement between the Programme Management Department (PMD) and OE¹ to reflect the new roles and responsibilities recommended by the panel, after the presentation of the peer review report to the Executive Board. Management also agrees with the panel's recommendation that the provision making interim evaluations mandatory be removed from the Evaluation Policy.
10. **Recommendation 4:** *IFAD further strengthens the use of evaluation findings, learning and the feedback loop.*
11. IFAD Management agrees with the panel's statement that "Independence does not mean isolation, as both operations and evaluation activities are enriched through cross-fertilization of knowledge and experience..." (paragraph 11(ii)). Further, it would like to reiterate IFAD's commitment to becoming a learning organization and, inter alia, to undertaking self-evaluations and using the findings to that end. The recommendations made to OE to address learning-related issues (paragraphs 92 and 93 and appendix D) are relevant. Similarly, increased participation by OE in meetings of interest, and the production of more digests and syntheses would contribute to better knowledge sharing. Towards this end, Management intends to post about 80 PCR digests on the IFAD intranet by June 2010. Further knowledge products emanating from the PCRs will be identified in due course and presented in the action plan (paragraph 27 (a)).
12. **Recommendation 5:** *OE identifies ways to improve further the quality through use of a broader range of evaluation approaches and methodologies.*

¹ Agreement between PMD and OE on the harmonization of self-evaluation and independent evaluation systems of IFAD.

13. Since this recommendation is addressed mainly to OE, Management limits its comments to generally supporting the findings and recommendations made in this section (paragraphs 72 to 106), in particular, the need to: (i) strengthen the learning loop, with more support from OE; (ii) continue efforts to address better the “why question” (i. e. why performance was as it was); and (iii) strengthen the core learning partnerships.
14. Management also expresses its commitment to support OE in: (i) validating information generated by the self-evaluation system, and (ii) changing the skills profile of OE staff by providing them with operational experience, mainly through staff rotation.
15. **Recommendation 6:** *Management prepares a costed action plan covering the next five years, which establishes priorities and makes the case for additional funding and more staff time within a feasible resource envelope to strengthen the self-evaluation system, so that it is increasingly used to help achieve development results.*
16. IFAD Management agrees with the panel’s overall observation that since most components of the self-evaluation system are in place or have been significantly strengthened, it should focus for the next few years on consolidating, improving and fine-tuning the existing self-evaluation system rather than introducing yet more major changes (paragraph 109). Therefore, in line with the panel’s recommendations, Management:
 - (a) Will prepare a costed action plan to allocate additional funding and more staff time to strengthen the self-evaluation systems, mainly to improve knowledge management and the quality and use of the PCR process;
 - (b) Review the Results and Impact Management System (RIMS) in order to harmonize this with other PMD and OE instruments;
 - (c) Further improve comparability of the annual portfolio reviews across divisions;
 - (d) Make available the lessons documented in the PCRs to country programme managers, country programme management teams and others involved in formulating new projects and COSOPs; and
 - (e) Feed these lessons into the quality enhancement and quality assurance processes.
17. As noted by the panel, improving project monitoring and evaluation (M&E) is a complex task. In addition, adoption of a donor-driven extractive M&E system could run counter to the spirit of alignment with the national system. IFAD will reflect upon its role with respect to project M&E with this in mind.
18. **Recommendation 7:** *OE improves its efficiency by using more cost-efficient approaches, while enhancing quality and effectiveness, in carrying out its programme of work and more efficient ways of undertaking its work.*
19. IFAD Management notes the significant efforts made by the review panel to analyse the operational efficiency of OE and to recommend alternative approaches for enhancing OE’s efficiency. The analysis undertaken by IFAD Management of the experience of five multilateral development banks shows a weighted average cost for the independent evaluation function of 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. Management therefore agrees with the panel’s conclusion that OE’s costs are high relative to ECG members.
20. OE’s cost-effectiveness is an important concern for IFAD’s governing bodies (paragraph 112). Management supports the panel’s observation that efficiency gains and cost-savings could be achieved, mainly by doing things differently (paragraph 118). The panel’s recommendation to reduce the scale, extent and cost of evaluations and staff field visits to a level in line with evaluations at multilateral

development banks and other aid agencies (paragraph 134) is an important one for OE.

21. The panel's findings with respect to administrative, management and financial systems, in addition to its recommendations for: a move by OE from project evaluation to the validation of self-evaluations; a shift in responsibilities from OE to the Office of the Secretary and PMD; adoption of simpler and more flexible approaches; and more effective management of consultants would, in Management's view, improve OE's overall efficiency.
22. Management looks forward to the decision of the Executive Board on the appropriate budget level for OE and whether the cost-savings should be used to reduce the overall budget level or reallocated to other evaluation activities or a combination of the two (paragraph 117).

B. Independence and governance

23. ***Recommendation 1:*** *The Executive Board reaffirms its commitment to the principles of IFAD's independent evaluation function and asks the General Counsel to prepare a paper for its consideration that identifies options for the necessary changes to resolve any possible legal incompatibilities between the Evaluation Policy and the Agreement Establishing IFAD in a way that fully respects the wishes of the shareholders for an independent evaluation function, as expressed under the sixth Replenishment.*
24. IFAD Management is pleased with the finding that the IFAD evaluation system is arguably the most independent among United Nations agencies (executive summary, paragraph 6) and that the support for and use of evaluation within IFAD are at least on a par with, if not stronger than that seen in many similar aid agencies (paragraph 90). IFAD Management indeed values OE's independence and is pleased to confirm the panel's findings. Management has consistently ensured that OE has unfettered access to information and contacts in countries in which projects are implemented (paragraph 21) and is committed to enshrining this principle in the President's Bulletin on the IFAD Evaluation Policy, when revised.
25. The matter of the legal opinion regarding incompatibility between the Evaluation Policy and the Agreement Establishing IFAD is raised in paragraph 17; however, it is difficult to discern which aspects of this issue the panel wants to address. 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 incompatibility between the constitution document and the Evaluation Policy has been issued by the Office of the General Counsel.
26. However, IFAD Management fully supports the panel's recommendation that the General Counsel prepare a paper for the Board's consideration. The paper would identify options for any changes required to resolve possible legal incompatibilities between the Evaluation Policy and the Agreement Establishing IFAD that fully respect the shareholders' desire for an independent evaluation function, as expressed during the Consultation on the Sixth Replenishment of IFAD's Resources.
27. ***Recommendation 2:*** *The Executive Board, through the Evaluation Committee, strengthens the oversight and accountability of the Office of Evaluation and its independence from Management.*
28. IFAD Management supports the proposal for a single six-year, non-renewable term for the Director, OE (paragraph 32 (i)). With regard to the appointing authority, however, it is to be noted that under the Agreement Establishing IFAD, the President is the appointing authority and the President must exercise this authority in IFAD's best interest and in accordance with the directives of the relevant governing bodies. In this light, the Executive Board may wish to consider recommending a revision of the provisions set forth in paragraph 22 of the President's Bulletin on the IFAD Evaluation Policy (document EB 2003/80/INF.9) to indicate that the President shall

appoint and remove the Director, OE after consultation with and endorsement by the Executive Board as per the provisions of paragraph 97(i) of the Report of the Consultation on the Sixth Replenishment of IFAD's Resources (GC 26/L.4), as endorsed by the Governing Council.

29. Similarly, with regard to the performance review of the OE Director, the Board may wish to consider requiring the President, as chairperson of the Board, to conduct the performance evaluation jointly with the Chairperson of the Evaluation Committee on behalf of the Evaluation Committee. This would be consistent with the practices applicable for international civil servants. On the issue of grade and rank, IFAD Management agrees with the panel's recommendation that the current rank of D2 for the Director, OE be retained.
30. With respect to delegating authority to the Director, OE to manage the recruitment process in OE, Management wishes to point to the difficulties that arose when the Director, OE made a decision on recruitment that was not in conformity with IFAD's rules. In such instances, the President must retain the authority to take corrective action.
31. The panel states that "Many OE staff do not have strong backgrounds in evaluation methodologies and few have recent operational experience..." (paragraph 104). It should be noted that the Director, OE has recruited all except one of nine current OE professional staff since the office became independent over six years ago. The selection process for the two additional posts is being finalized. IFAD Management therefore agrees with the panel's recommendation to abolish the ad hoc panel for the recruitment and promotion of OE staff (paragraph 37) and establish a structure more similar to IFAD's standard interview panels. In this regard, IFAD Management endorses the panel's view that the Associate Vice-President, Programmes, or his designate, should sit on OE's hiring panels.

C. Other findings, suggestions, and issues identified in the report

32. Management agrees with the recommendation on the rotation of OE staff to other parts of IFAD. Management also feels that rotating qualified staff from operations to OE should be viewed as a possible option, especially in the context of OE staff lacking recent operational experience.
33. IFAD Management supports the following recommendations:
 - (a) The Chief Finance and Administration Officer,² rather than the OE Director, should approve fee waivers for OE consultants (paragraph 42);
 - (b) OE staff should be held to the same integrity standards as all other IFAD staff and subject to integrity investigations if the need arises (paragraph 43);
 - (c) OE should be subject to IFAD's rules and procedures concerning the procurement of goods and services (paragraph 43); and
 - (d) The Evaluation Committee should ask OE and the Finance and Administration Department to develop a joint proposal for identifying how best to leverage the wealth of detailed data available in IFAD's financial systems. (paragraph 57).
34. On the recommendation that the Chair of the Audit Committee is to consult with the Evaluation Committee for any proposed audit of OE (recommendation 2(iv)), while realizing that this issue is to be addressed by the Executive Board, Management would like to submit its view that such expanded functions of the Evaluation Committee would unnecessarily duplicate and overlap with those already assigned by the Executive Board to the Audit Committee. While it may be considered reasonable for the Audit Committee to consult with the Chair of the Evaluation Committee, responsibilities with respect to the oversight of financial management and audit should remain consolidated under the Audit Committee.

² Under the recent reconfiguration of IFAD's organizational structure, the Vice-President handles all waivers.

35. With respect to the Executive Board and the Evaluation Committee (paragraphs 62-68), IFAD Management generally supports the recommendations, in particular: the need for a cooling-off period before an Executive Board member can be considered for employment as staff in IFAD; scrutiny by the Evaluation Committee of OE's activity budget; more emphasis by the Committee on strategic issues and synergies between accountability and learning; and greater distance between the Evaluation Committee and OE. Management also endorses the recommendation that support to the Evaluation Committee be provided by the Office of the Secretary (ES). ES and OE will treat 2010 as a transition and handover period, after which ES will provide all support to the Evaluation Committee and take full responsibility for organizing the country visits of Executive Board members (paragraph 67). The corresponding budget for this activity will be transferred from OE to ES.
36. Management would like to provide the following clarifications:
- (a) With respect to the representation of only the elected and alternate members of the Executive Board in the Evaluation Committee (paragraph 68(i)), it is to be noted that the Board members are states, not individuals. Therefore, the Fund has no authority to determine for the countries who they delegate to the organs of the organization. It is noted, however, that in most cases the same representative of a member attends both the Executive Board and the Evaluation Committee.
 - (b) On the review by the Evaluation Committee/Executive Board of published evaluation reports rather than special summaries thereof (paragraph 127), Management wishes to clarify that the full documents of all evaluations are available to any member **upon request to OE**. The volume of documents routinely circulated to members for discussion during Board sessions is already large and measures are needed to reduce this, while ensuring that all evaluation documentation is available to Board members.

III. Next steps

37. In general, Management endorses the next steps suggested by the panel and will work closely with OE, the Evaluation Committee and the Executive Board to identify areas of agreement and disagreement, and subsequently resolve disagreement and develop proposals to address outstanding issues, using the guidance provided by the Executive Board. It will nominate two staff members to represent Management in the working group and provide the services of the Offices of the General Counsel and of the Secretary of IFAD to assist the working group in drafting the revised versions of the Evaluation Policy and the Terms of Reference and Rules of Procedure of the Evaluation Committee for the consideration of the Evaluation Committee and the Executive Board. Management also commits to revising the President's Bulletin in line with the revised Evaluation Policy.
38. The preparation of the legal documents needing revision and the formulation of the costed plan for strengthening self-evaluation will start immediately following the adoption by the Executive Board of the peer review's recommendations. The revised Evaluation Policy and the Terms of Reference and Rules of Procedure of the Evaluation Committee (paragraph 141(iv)) will be presented to the Evaluation Committee and subsequently to the Executive Board.
39. Finally, Management commits to collaborating in the development of a full inventory and response to the many other helpful suggestions and recommendations contained in the report.

