Annual Report on Quality Assurance in IFAD’s Projects and Programmes

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For: Information
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Executive Board — 107th Session
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For: Information
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Abbreviations and acronyms

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>CPM</td>
<td>Country Programme Manager</td>
</tr>
<tr>
<td>EB</td>
<td>Executive Board</td>
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<tr>
<td>ERR</td>
<td>Economic Rate of Return</td>
</tr>
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<td>GAC</td>
<td>Governance and Anti-Corruption Framework</td>
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<td>IFI</td>
<td>International Financial Institution</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>IOE</td>
<td>IFAD Office of Evaluation</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>OPV</td>
<td>Office of the President and Vice-President</td>
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<tr>
<td>PDR</td>
<td>Project Design Report</td>
</tr>
<tr>
<td>PMD</td>
<td>Programme Management Department</td>
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<tr>
<td>PTA</td>
<td>Policy and Technical Advisory Division</td>
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<tr>
<td>QA</td>
<td>Quality Assurance</td>
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<td>QE</td>
<td>Quality Enhancement</td>
</tr>
<tr>
<td>QUASAR</td>
<td>Quality Assurance Archiving system</td>
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<tr>
<td>RMF</td>
<td>Results Measurement Framework</td>
</tr>
</tbody>
</table>
I. Executive Summary

1. In 2012, 35 Quality Assurance (QA) reviews were conducted for 34 projects (one project was reviewed twice), representing total project costs of $1.9 billion and total IFAD investment of $984 million. Overall, activities financed by the reviewed projects aim to support more than 2.5 million beneficiary households in 33 countries.

2. Results from the 2012 QA review process point to improved performance in the quality-at-entry of IFAD projects; this year 60% of projects were cleared by the QA with little or no changes. Overall RMF indicators improved considerably, with at least 90% of projects judged to be satisfactory across all four RMF categories, thereby meeting the corporate IFAD8 commitments regarding project quality-at-entry. Such results are noteworthy given that during IFAD8, IFAD financing and co-financing levels increased on average, by 50% and 70% respectively.

3. These improved results stem largely from the convergence of several efforts focused on improving IFAD’s project design cycle – the Quality Enhancement process (QE), Direct Project Supervision, and the Quality Assurance review (QA). Set in motion some five years ago, these processes are now sufficiently mature to be mutually complementary. Supporting these efforts has also been PMD’s consistent response to numerous QA recommendations which have been made at the strategic, process, technical, and project levels since 2008.

4. These results notwithstanding, scope for improvements in IFAD’s project designs remain. A disconnect between the high proportion of projects scoring well against RMF ratings and a lower proportion of projects judged likely to achieve development objectives belies the fact that the Fund’s improved designs alone may not lead to better outcomes in the field. New QA ratings, focused on the issue of project “complexity,” reveal areas of weakness in implementation capacity, readiness and alignment within the respective host country context. Moreover, several themes in overall design weakness continue to persist, including in the areas of: targeting, economic and financial analysis, implementation arrangements, logical frameworks, project financing, and monitoring and evaluation.

5. As a whole, these results suggest that while IFAD’s project quality has improved over the last five years, more must now be done to graduate designs from strong overall preparation to improved readiness for implementation. At the corporate level, in 2012, reforms were approved for streamlining the QE process, which, together with a pending proposal to restructure the QA process, are designed to address the need for earlier vetting of strategic and technical considerations from the project concept stage through supervision. These efforts are expected to yield further improvements in projects’ quality-at-entry and better implementation results during supervision over the near-term.

6. At the portfolio level, a statistical analysis of quality-at-entry and supervision data was undertaken in an attempt to test known trends and discover new relationships. This exercise uncovered several preliminary findings: the weak power of RMF ratings to predict likelihood of project success; a weak (but statistically significant) association between region and likely development outcomes; some possible areas for further exploration with respect to poor design/implementation and component type; and affirmation of 2011’s finding that increases in the level of financing, co-financing and the associated higher number of beneficiary households supported by IFAD have no significant correlation, at the portfolio, level to the quality-at-entry of IFAD’s project designs.

7. Based on these findings, over the course of 2013 the QA Secretariat will continue its efforts to improve the QA process across several dimensions, including: piloting a new database system, undertaking field visits to its enhance knowledge
management efforts; revising the ratings system and further diversifying the pool of QA reviewers.

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**II. Overview of the QA Process**

8. The QA function and process took effect as of 2 January 2008 with three main objectives:

   (a) Clearing designed projects for loan negotiations and submission to the Executive Board, with special emphasis on the appropriateness of project design vis-à-vis IFAD’s policies and guidelines;

   (b) Determining the rating for results indicators under IFAD’s corporate RMF at entry; and

   (c) Assessing the quality enhancement (QE) process.

In addition, the QA reviews recommend measures that could help enhance the likelihood of achieving the projects’ development objectives.

9. QA review sessions take place three times a year (February, June and October), with each session spanning approximately two weeks; stand-alone QA reviews are also scheduled on an ad hoc basis. QA sessions are chaired by the Chief Development Strategist, unless circumstances require an alternate arrangement. The findings of the QA review process are reported in an Annual Report which is submitted to the December session of the Executive Board in the same year the project reviews were conducted.

10. In 2012, 12 external reviewers participated in the process. All external reviewers were formerly senior managers in various international development institutions and generally have between 20 and 40 years of experience designing and implementing projects in developing countries. Apart from their project and sub-sector expertise, some reviewers were recruited on the basis of their experience working in specific host regions and their language abilities, as many project documents are in French and Spanish as well as English.

11. Over the course of 2012, several strategic actions were undertaken to strengthen IFAD’s Quality Assurance process:

   - **Reorganization.** In July 2012, the QA Secretariat was transferred to the Strategy and Knowledge Management Department, headed by IFAD’s Chief Development Strategist. Under this new structure, the QA Secretariat is supervised by the Head of the Quality Assurance and Grants unit and Quality Assurance Review meetings are chaired by the Chief Development Strategist.

   - **Revised QA Process.** During 2012, the QA Secretariat developed a proposal to revise the QA process in response to the recent reform of the Quality Enhancement process. Chief among the aims of the proposal is to ensure that greater attention would be given to strategic issues earlier in the project design process. Following IFAD management’s decision regarding the proposal, modifications to the QA process may by piloted during 2013.

   - **QA Knowledge Management system.** During 2012, the QA Secretariat launched the development of the new Quality Assurance Archiving system (QUASAR), which will lay the foundation for improved knowledge management while simultaneously creating efficiency gains in administering the work of the

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1 Responsibility for overseeing IFAD’s Quality Assurance function was assigned to the Chief Development Strategist per a memo from the President dated February 1, 2012.
Secretariat. Phase I of the system’s development will be completed in 2012, with Phase II tentatively planned for 2013.

12. Over the course of 2013, the QA Secretariat will make several further adjustments to its process and activities:

- **Follow-up on QA recommendations.** To date, the QA Secretariat has undertaken these activities by ensuring CPM compliance with approved QA recommendations and monitoring their responses (See section V for more information). In 2013, modifications may be made to this process, including: shifting the CPM’s milestone for reporting on QA to a later point in the implementation stage; QA observation of project supervision for select projects; seeking to integrate the QA recommendation compliance system into other IFAD systems.

- **Quality-at-entry data.** The QA Secretariat will seek to supplement the RMF indicators agreed to as part of the IFAD9 replenishment process with additional measures of design quality and implementation readiness (see paragraph 30 for an example of how this was undertaken in 2012) in order to develop a richer and more telling set of data with which to monitor project quality.

### III. Overall quality assurance results in 2012

#### Context of the Quality Assurance Reviews

13. In 2012, 35 QA reviews were held for 34 projects in 33 countries. Regionally, projects from the two sub-Saharan African divisions collectively represented 31% of the reviews, followed by Asia and Pacific Region (APR) at 29%, Near East, North Africa and Europe (NEN) at 23% and Latin America and the Caribbean at 17%.

14. The projects reviewed in 2012 were designed during the last year of the IFAD8 replenishment period, a challenging moment for IFAD where an expansionary push (led by the availability of more funds for country programme envelopes, increased co-financing resources, and the scaling-up initiative) had to be reconciled with constraints on the Fund’s operating budget, which affected all aspects of design and implementation – from project preparation to supervision.

15. In response, many of the 2012 projects were generally larger, often covering an entire region, or even the entire country, where increased investment amounts could be absorbed but incremental preparation and supervisory costs were reduced (as it costs more to develop and supervise two projects than it does to develop or supervise one larger project).

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2 In 2012, one project was reviewed twice. All tables and graphs in the report which present QA results (RMF ratings, Project Categories, and likelihood of achieving development objectives) include two sets of data for this project.
16. While too early to know if this represents a new operating model for the Fund the potential implications for the quality of project designs remain considerable. Can larger projects, with more activities spread out over larger geographic areas still meet the needs of the poor? Can these projects be adequately designed, managed and supervised? Can truly productive and sustainable uses for significantly more investment in IFAD’s target areas be identified?

17. These and many other questions which are both strategic and technical in nature were posed this year by the QA Secretariat in various project reviews. Findings emerging from the project reviews and the analysis at the portfolio level, as presented below, suggest that to date IFAD is managing to expand its lending volume and change the overall profile of its interventions while maintaining and improving the overall quality-at-entry of its project designs.

18. This notwithstanding, the experience from 2012 and 2011 suggests that as the Fund continues to expand the size and scope of its operations, several broad areas of project design require closer attention. These areas include: the clear articulation of the objectives and economic benefits associated with project activities, the capacity of partner institutions to properly execute and monitor the project, rural finance arrangements, and striking the ideal alignment between project activities and project implementation capabilities.

Quality-at-Entry results

19. A summary of the 2012 QA reviews is provided in Table 1.

Table 1: QA review results: 2008 – 2012

<table>
<thead>
<tr>
<th>Final project categories</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011*</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of project reviews (number)</td>
<td>29</td>
<td>33</td>
<td>36</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>(1) Project judged ready to proceed with minor changes (percentage)</td>
<td>30</td>
<td>30</td>
<td>42</td>
<td>38</td>
<td>60</td>
</tr>
<tr>
<td>(2) Projects judged ready to proceed subject to additional assurances during loan negotiations and/or further modifications/reviews during implementation (percentage)</td>
<td>60</td>
<td>67</td>
<td>58</td>
<td>60</td>
<td>37</td>
</tr>
<tr>
<td>(3) Projects requiring substantive changes entailing delay in presentation to Executive Board (percentage)</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>(4) Projects dropped from the lending programme (percentage)</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*aIncludes two sets of data for two projects that were reviewed twice - one in 2011 and the other in 2012.
Note: Values may not total to 100% due to rounding.

20. The cumulative results since 2008 suggest an improvement in the quality of project designs submitted for QA review; in 2012, 60% of projects were cleared by the QA for Board presentation with little or no changes, representing a 100% increase – in percentage terms – since 2008. In addition, the number of projects cleared for presentation to the Board subject to significant additional modifications fell to 37%, the lowest level to date (and a 40% decline from its peak in 2009).

21. By and large, these broad measures indicate that considerable progress in IFAD’s overall quality of design – or “maturity” – has been realized during the five years the QA has been operating. Additional factors contributing to these improvements are described in greater detail in paragraphs 25 and Section V.
Quality-at-entry ratings

22. As part of the QA process, reviewers assess each project using four RMF indicators and their subcomponents. The ratings are produced to complement reviewers’ qualitative assessments and to add an element of quantifiable and comparable metrics to the QA process. Summary ratings for each category are presented in Table 2.

Table 2
Average Quality-at-entry Ratings and % of Projects with Satisfactory or Better Overall Ratings

<table>
<thead>
<tr>
<th>RMF ratings</th>
<th>Description</th>
<th>Average rating</th>
<th>Percentage of projects with Satisfactory or Better Overall Ratings</th>
<th>2012 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMF 1</td>
<td>Effectiveness of thematic areas</td>
<td>4.5 4.6 4.6 4.5 4.7</td>
<td>87 94 97 93 97</td>
<td>97 90</td>
</tr>
<tr>
<td>RMF 2</td>
<td>Projected impact on poverty measures</td>
<td>4.6 4.6 4.7 4.5 4.7</td>
<td>87 88 97 95 100</td>
<td>90</td>
</tr>
<tr>
<td>RMF 3</td>
<td>Gender equity and target population</td>
<td>4.6 4.5 4.7 4.6 4.6</td>
<td>82 85 92 95 94</td>
<td>-</td>
</tr>
<tr>
<td>RMF 4</td>
<td>Innovation, learning and scaling up</td>
<td>4.4 4.2 4.1 4.2 4.5</td>
<td>83 79 78 85 94</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>Sustainability of benefits</td>
<td>4.4 4.4 4.4 4.4 4.3</td>
<td>80 85 72 83 94</td>
<td>90</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>4.5 4.4 4.4 4.4 4.6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Quality-at-entry ratings are based on a scale of 1-6, where 1 is highly unsatisfactory and 6 is highly satisfactory. The percentage indicates the number of projects receiving a rating of 4 or better out of the total number of projects.

Note: 2011 and 2012 data includes two sets of RMF ratings for two projects – one that was reviewed in 2011 and the other in 2012.

23. The average Quality-at-Entry ratings for 2008-2012, which are presented in Table 2, show relatively little change since the programme’s inception. Across the four RMF categories, relatively modest variation in each year is present, although in 2012, more significant increases in the mean scores for Innovation, learning and scaling up and the Average RMF rating were observed. Nevertheless, attempting to extrapolate meaningful insights from such minor fluctuations in annual values would overestimate the degree of precision associated with the RMF rating system.

24. More useful insights, however, can be garnered from considering the percentage of projects that received satisfactory or better RMF ratings by category, rather than the mean RMF scores themselves. From this perspective, a trend emerges from Table 2 indicating that IFAD projects have increasingly focused on improving aspects of design which the RMFs attempt to measure – effectiveness in key thematic areas, projected impact on poverty (through better targeting), increased attention to learning and “scaling up” and greater focus on the sustainability of project activities. In 2012, more than 90% of all projects reviewed by the QA received satisfactory ratings in each of the four RMF categories, thereby meeting the corporate targets on project Quality-at-Entry made during the IFAD8 consultation process.

25. Several factors have likely converged to contribute to this overall improvement in design quality over the last five years. First, IFAD’s Quality Enhancement process

3 In 2010 one sub-indicator – RMF 2D “Gender Equality and Target Population” – was also incorporated into the RMF reporting system, in response to the Fund’s commitment to act as a “torch carrier” for the achievement of MDG 3. RMF 2D was not a component of the original IFAD8 commitment regarding quality-at-entry RMF indicators.

4 In some cases, these average ratings may be different from than those presented in the main text of the RIDE, as the QA Annual Report traditionally reports quality-at-entry data collected on a calendar year basis (from January through December of any given year), whereas the 2012 RIDE presents the quality-at-entry RMF data on a one-year or two-year rolling basis which begins in July and ends in June (i.e. July 2011 - 2012 or July 2010 – June 2012).
was rolled out during this period and assisted CPMs to produce more mature projects in 2011 and 2012, as judged by higher mean Overall Quality Enhancement ratings. Second, the launch of IFAD’s own direct project supervision activities in 2007 and the ensuing portfolio review mechanism has created a learning feed-back loop into the project design process. As a result, mean RMF scores for “learning” from previous design successes and weaknesses were 30% higher in 2012 than in 2009. Third, QA reviewers have demanded higher standards for numerous aspects of project design related to sustainability, effectiveness and strategic relevance; these calls from external reviewers for improvements in key aspects of project design and project preparation have been answered by IFAD’s Programme Management Department through a range of efforts (see Section V for more details).

Development Outcomes

26. Despite these favorable indications of improved quality-at-entry of project designs at IFAD, to date the results of preliminary statistical analyses suggest that the IFAD quality-at-entry RMF ratings themselves may not be very useful as predictors of success during implementation (See section VI for more details).

27. While no decisively strong ex ante predictor currently exists, to date, the best overall predictor for future project outcomes may be the QA’s Likelihood of Achieving Development Objectives (LADO) indicator. LADO has consistent statistically significant levels of association with several key supervision indicators (although the strength of the associations are moderate at best) and has predicted all project cancelations (2) since 2008.

28. In 2012 QA reviewers judged that 83% of projects were likely to achieve their development objectives. These ex ante ratings are similar to the approximately 75% of projects which have been deemed to perform satisfactory in IFAD ex post reviews of effectiveness in the 2011 Annual Report on Results and Impact of IFAD Operations.

29. This consistency notwithstanding, it remains surprising that the percentage of projects with satisfactory LADO ratings has not increased over time in line with the RMF increases. This trend (depicted in Figure 2) suggests that other factors, apart from those captured by the RMF indicators, shape reviewers’ judgment regarding a project’s chance for success.

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5 IFAD’s PTA Department produced Quality Enhancement ratings were produced for all of the projects undergoing QA review from 2008-2011 and for 85% of the projects reviewed during 2012. An indicator graded on a scale from 1 – 6, the rating was developed as a rudimentary metric for capturing the overall maturity of a project design at the stage of the QE review process in quantitative terms. From 2008 to 2012, the mean QE rating increased from 3.9 to 4.4

6 Ex ante assessments of whether projects are likely to achieve their stated development objectives make it possible to channel additional attention and resources to projects found to be especially risky. To this end, highly experienced QA reviewers provide their best assessment of the likelihood of each project meeting its development objectives based on a number of overall judgments, including the design of the project’s components, the strength of implementing partners, and the project’s alignment with the host country context (including policy, technical, institutional capacity).
30. Going forward, the QA Secretariat will collect, report on and begin to analyze three new indicators related to project complexity which were piloted during 2012. These new indicators (overall quality of design, alignment with host country context and overall implementability of design) were strongly correlated with the QA’s likelihood to achieve development outcomes indicator during 2012 (albeit with a limited data set of only one year’s worth of observations) and, if this relationship persists overtime such data may prove useful when trying to generalize and distill lessons from projects which score well with respect to the broad RMF indicators themselves but are nonetheless judged by reviewers to be less likely to achieve their development objectives.

Effectiveness of the Quality Enhancement process

31. In 2012, QA reviewers noted the following regarding IFAD’s QE process:

a) **Revised QE process.** The QA Secretariat welcomed the proposal in 2012 for a revised QE process in which more emphasis (and resources) would be placed on providing technical inputs and advice throughout the project design and implementation cycle with less emphasis placed on a single quality enhancement review meeting. Following the pilot phase of the new QE process, it will be important to evaluate how the new elements of the process (PTA Advisers as full-fledged project team members and the increased importance of the CPMT) add value to the overall design process. As noted in paragraph 11, the QA Secretariat has developed its own proposal for a revised QA process to ensure that perennial issues in project design (such as issues related to complexity, strategic focus, and sustainability) are discussed as early as possible (project concept note stage).

b) **QE compliance.** In previous years, QA reviewers noted that recommendations made by the QE panel were not often sufficiently incorporated into the final design before the project is submitted to QA for review. In response to this concern, this year, the QA Secretariat developed new ratings for scoring the degree to which QE recommendations were taken onboard. In 2012, the mean rating was 4.8, indicating more than satisfactory average compliance. Despite this good result, the presence of a few extreme cases (where entire recommendations were ignored outright) suggest that a more institutionalized method for ensuring compliance with QE recommendations before submission for QA review might still be warranted. This issue should be flagged and considered as part of the assessment of the pilot of the revised QE process.

c) **Strategic elements.** At times during 2012 and 2011, QA reviewers encountered strategic and technical issues that, for a variety of reasons, did not receive

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Figure 2: Satisfactory RMFs vs. Satisfactory LADO

[Graph showing percentage distribution]

8 Includes two sets of data for one project that was reviewed twice during 2011.

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7 The following indicators “Overall Quality of Design”, “Host country context alignment”, and “Implementability rating” had Chi Square statistics which were significant at the 0.01 level or lower and had Cramer’s V symmetric measures of 0.504, 0.681, and 0.598 respectively.
adequate attention at the QE stage. Given this experience, it is recommended to consider the QE’s effectiveness in identifying and resolving strategic issues before the QA review as part of the assessment of the pilot. Moreover, the degree to which QA issues flagged at project inception are addressed during project design (and the QE review) will also be monitored by the QA Secretariat beginning in 2013.

d) Time between QE and QA reviews. In 2012 and 2011, the average number of working days between a given QE review and the subsequent QA stood at approximately 85 days. Between 2009 and 2012, the average fell by some 22%, cutting one month (22 working days) from total project design time. While this trend – coupled with improved RMF results for 2012 and satisfactory overall QE compliance ratings -- could suggest an efficiency gain, rather than a sacrifice of quality, it remains too early to tell what the full implications of this shortened project preparation schedule are. As the new QE processes continue to be piloted, this expedited design schedule and the notion of an appropriate amount of design time should be monitored and evaluated.

IV. Design aspects with scope for improvement

32. Table 3 presents the percentage of projects registering the most common recommendations from QA reviewers during 2012 and earlier years. It should be noted that the data below highlight the frequency with which recommendations were made, but they do not give any indication of the relative extent of the weakness in each theme. Consequently, interpretation of the meaning of these data must be done with care.

Table 3: Top 10 Recommendations (% of projects)

<table>
<thead>
<tr>
<th>Theme</th>
<th>2012</th>
<th>2011</th>
<th>2008-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logframe</td>
<td>60%</td>
<td>35%</td>
<td>31%</td>
</tr>
<tr>
<td>Economic Analysis</td>
<td>46%</td>
<td>43%</td>
<td>29%</td>
</tr>
<tr>
<td>Targeting</td>
<td>37%</td>
<td>18%</td>
<td>34%</td>
</tr>
<tr>
<td>Implementation Arrangements</td>
<td>34%</td>
<td>45%</td>
<td>47%</td>
</tr>
<tr>
<td>Project Document</td>
<td>34%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Financing</td>
<td>31%</td>
<td>23%</td>
<td>19%</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>20%</td>
<td>38%</td>
<td>36%</td>
</tr>
<tr>
<td>Sustainability</td>
<td>20%</td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td>Knowledge Management</td>
<td>17%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Complexity</td>
<td>14%</td>
<td>20%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Note: The table includes two sets of recommendations for projects that were reviewed twice during 2011 and 2012.

33. A large number of the issues presented above are persistent in nature; indeed, some have appeared in QA Annual Reports consistently since 2008. As first explained in the 2011 QA Annual Report, some of the issues are systemic – relating to the nature of IFAD’s mandate, the kinds of activities the Fund supports and the regions where the Fund operates. Recommendations in these areas (such as implementation arrangements complexity, use of subsidies, and capacity building) are endemic to many IFAD operations and cannot be resolved quickly. Rather, these areas of design must be strengthened through heightened awareness as well as a better use of design tools (Logframe, Economic Analysis, GAC frameworks, M&E systems and Risk identification and mitigation measures).

A. Technical aspects of project design

34. The following specific recommendations related to project design were identified in multiple projects in 2012; an asterisk next to the topic indicates a recurring issue.
35. **Logical Framework***. Considerable improvements with respect to the design and use of log frames have been made but, in the judgement of QA reviewers, they still remain too complicated. Moreover, some QA reviewers questioned project teams’ apparent reluctance to incorporate numerical values into the log frame during the design phase. Some “quick wins” in this regard can be achieved by clearly simplifying and separating the output and outcome indicators in an attempt to define exactly what each outcome is expected to be. Since several outputs could be tied to one outcome indicator, this could reduce the total number of indicators, making the monitoring effort more streamlined, focused and efficient.

36. **Economic and financial analysis***. Although some improvements were noted in 2012, economic and financial analysis (EFA) is still weak in IFAD projects. It is expected that more improvements will surface in 2013 as newly developed guidelines on the use of EFA take effect. In general, QA reviewers asserted that including a brief statement outlining the basic assumptions made in carrying out the analysis (e.g. cropped area, cropping intensity, yields, production costs, farm gate prices based on import parity, etc) would clarify the analysis and also provide a much needed logical link between the ERR and the indicators being used in the log frame and the risk analysis. At several points in 2012 the issue of the “appropriateness” of various levels of project costs per beneficiary was also debated, with PTA agreeing to develop a study on the topic.

37. **Targeting.** Project design documents frequently contain statements about activities specifically designed to assist the target group (very poor household, women, young people, minorities, etc.) but in several cases in 2012 the justification for the targets (number of project beneficiaries to be assisted) associated with project components were not clearly defined or well-articulated.

38. **Implementation arrangements***. Unlike many other multilateral lending institutions, IFAD relies heavily on service providers (either NGOs, other international organizations, or from the private sector) to implement projects. Indeed, in 2012, one project had no less than ten agencies involved in project implementation. While this approach has generally resulted in sound implementation, risks will always persist, as the government (and IFAD) will not always have the ability to closely monitor and influence the manner in which the service provider discharges his responsibilities. Project teams must therefore make their best efforts to consider what is practical and what is feasible. If the government wants to include a large number of components and service providers, then an effort must be made to engage the government to see if there is another way the implementing arrangements can be structured.

39. **Monitoring and evaluation***. Consistently and accurately capturing key project outputs and outcomes – and then translating that data into useful insights for managing and design current and future projects – is an area where IFAD intends to focus more effort over the near term. Many governments continue to question the utility of M&E systems and view it as something imposed by external donors that is of limited usefulness for implementing agencies. To convince governments and project authorities of the utility of M&E systems, IFAD projects need to strike a proper balance between the desire to obtain detailed information on project outputs, outcomes and impact and the capacity of local institutions to collect and analyze the necessary data. This calls for greater consideration of the appropriate number of indicators and their relevance as a management tool.

40. **Project complexity***. An on-going issue for IFAD, given its mandate is striking the best balance between ever larger projects, on the one hand, and the wish to continue to innovate and to operate in remote areas where support is being extended to poor communities, on the other hand. While some projects in 2012 focused on building upon pre-existing components with a proven track record of success in country, others were overly ambitious in the number of activities
undertaken. When the very limited resources of a small country – or the geographic scope of a large country – are added to this mix, the result can be a high probability of failure. In some cases, phasing of activities can help, but it is not – and will never be - a panacea for overly complex designs.

41. **Sustainability**. In considering the sustainability of projects, IFAD’s reviewers judge the likelihood of project’s activities continuing to operate effectively after IFAD’s role (financing, implementation, and supervision) has been concluded. In most cases, the QA reviewers did not dispute the short-term benefits to accrue from these activities by the target communities, rather their concerns focused on how the project design would ensure that benefits continue to accrue over the medium and long-terms.

42. **Project document.** In 2012, QA reviewers generally reacted much more favorably to the presentational aspects of IFAD's proposed designs. Nevertheless, the continued practice by some CPMs of using working papers coupled with other admittedly lesser or “one-off” concerns (related to lack of clarification on specific topics, weak articulation of previous project experiences, omission of key information) led this broad category to continue to be flagged in 2012.

**B. Strategic issues**

43. Projects reviewed in 2012 contained a number of broader, more policy-oriented issues that deserve further management attention.

44. **RIMS.** As per IFAD’s operational guidelines, a range of RIMS indicators (e.g. reduced child malnutrition) must be included in to the logframe to measure project outcomes. In 2012, as in previous years, QA reviewers questioned the extent to which these indicators can be attributed to project activities and how best the data could be used. Specific issues encountered this year included: First, in the absence of a control group (counterfactual) the RIMS indicators are unable to provide meaningful indication of progress at the project area compared with other parts of the country (PMD’s current review of the use of counterfactuals in this regard should be helpful). Second, despite the existence of fairly detailed guidelines, uncertainties persist regarding the target group to be covered by RIMS indicators at the goal level. Third, although baseline surveys for goal level RIMS could be prepared at a modest cost relatively quickly, the tendency is to put this off to the implementation phase. The practice of using relevant and current regional or national statistics in lieu of primary data collection to provide an adequate basis for these indicators should continue to be encouraged in project design.

45. **Seed production.** A number of IFAD funded projects are attempting to solve the complex issue of production and marketing of high quality seed. Even though most are trying to work through the private sector, the analysis of competitiveness with imports, the number of firms that can be supported by the market, and the capacity of government to ensure quality, are not receiving adequate attention. In this regard, PTA has committed to conduct a study of the experience of IFAD and other IFIs in this area with a view to generating samples of good practice.

46. **Role of the private sector.** A commendable effort is being made to elicit engagement from the private sector but too often this is done through matching grants (i.e. subsidies) without any attempt to justify them. This distorts, among others, the incentive-structure, the market integrity and sustainability. Greater attention is required to the analysis of constraints to private sector participation and incentives short of grants to attract them to participate in project activities.

47. **Start-up phase financing**. There remains a general agreement that more needs to be done in order to help projects commence operations as soon as possible. Several ideas merit further consideration; specifically, the QA Secretariat proposes that IFAD explore the following ideas in greater detail during 2013: leveraging co-financing partners’ pre-financing capabilities, deploying country grants – when
possible – to support early project start-up activities, revisiting a trust fund-based approach for project design, and studying the pre-financing model used by other IFIs to understand their benefits, limitations and possible applicability to IFAD loans.

48. **Knowledge management.** In several cases during 2012, QA reviewers cited projects as being best practice examples of project design and requested that follow-up work be undertaken to study the conclusions or to disseminate their findings more broadly throughout IFAD. Conversely, QA reviewers found some cases were not enough had been done to consider IFAD’s current project experience on the ground and to make the case for proposed project activities/approaches (admittedly, however, the general consensus among reviewers in 2012 is that projects designers are increasingly paying more attention to leveraging learning from previous projects when designing subsequent interventions).

49. **Scaling-up.** It is essential that any “scaling-up” effort be grounded in evidence that the programs to be scaled-up to achieve their objectives. In 2012, a number of projects were described as "scaling-up" operations, but, for a variety of reasons, some of these showed little evidence that the proto-type models being built upon had achieved their objectives. Scaling-up projects should: (i) identify clearly the models/interventions to be scaled-up; (ii) provide evidence which demonstrates that tested interventions/models are effective and efficient (reference to satisfactory supervision report is not sufficient as supervision reports generally assess program implementation progress rather than potential outcomes); (iii) identify the scale at which the program presently works and the scale dimensions to be achieved; (iv) clearly lay out how the larger scale will be achieved, by identifying for example the institutional, policy, fiscal and financial requirements (scaling-up spaces) which need to be developed in order to reach the larger scale.

50. **Youth engagement.** Several projects during 2012 had components which specifically targeted rural youth as beneficiaries of specific components or activities. While reviewers generally agreed that this demographic of beneficiary fit well with IFAD’s overall mandate, questions were raised during the QA process by IFAD’s Chief Development Strategist and others about IFAD’s experience, comparative advantage and policies when seeking specifically to improve the lives of young people through project designs. In 2012, PMD committed to developing a study which will identify best practices in this area.

C. **Summary**

51. The following table summarizes the areas of design weakness highlighted above along with remedial measures proposed by the QA Secretariat or others.

**Table 4: Areas of weakness in project design identified by the QA in 2012 with recommendations for improvement**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seeds study</td>
<td>Review of best practices and common pitfalls in the area of seeds production and distribution agreed (by PMD).</td>
</tr>
<tr>
<td>Project unit costs</td>
<td>Guidance note on norms, meaning and usefulness of considering per beneficiary/per household project costs agreed (by PMD).</td>
</tr>
<tr>
<td>Youth</td>
<td>Examine best practices to inform IFAD’s corporate approach to area of its work; agreed (by PMD).</td>
</tr>
<tr>
<td>Review of RIMS</td>
<td>Review of the use of the RIMS indicators and methodology suggested by QA (also suggested in 2012).</td>
</tr>
</tbody>
</table>

V. **Follow-up on QA recommendations**

**Follow-up on QA recommendations**

52. Since 2008, QA Reviewers and the QA Secretariat have made a series of recommendations at the strategic, technical, process and project level with the aim
of improving the “implementability” and the likelihood of success for IFAD operations. To date, the Project Management Department (PMD) has been very responsive to these recommendations, and improvements in quality-at-entry data over the last five years suggests this response is now paying dividends.

53. The following section offers a brief review of overall response to the QA’s recommendations over the last five years.

**Strategic**

54. **Support for non-agricultural components.** In 2009 and again in 2011, the QA Secretariat requested that internal guidance be developed defining the boundaries of how and when IFAD could support off-farm project activities. In January 2012, the Strategy and Knowledge Management Department – in conjunction with PMD prepared an analysis of the flexibility and constraints embodied in IFAD’s Strategic Framework 2011-2015 and submitted a presentation on the topic as a point of reference both for senior management (Vice President, Associate Vice President and the Chief Development Strategist) and CPMs.

55. **Scaling-up.** In December 2009, PMD committed to defining the term “scaling-up” (beyond mere replication), identifying specific staff and outside consultants to outline an appropriate strategy for IFAD. In October 2012, the latest findings of the study and its implications for IFAD projects were presented to IFAD staff, with further work for integrating the findings into the design process expected in 2013.

56. **Disaster response.** In 2010, the QA recommended that IFAD develop guidelines for designing projects which are intended to be implemented in post-disaster environments, given the complex issues associated with such operations. In May 2011, new guidelines, which operationalized and consolidated previous efforts in this area, were presented for information to the Executive Board.

57. **Private sector engagement.** In 2008, 2009 and 2011, the QA recommended that IFAD develop a framework for considering how and when to partner and engage with the private sector in order to define the Fund’s approach to designing private-public partnerships. In 2011, the Fund’s strategy for Private Sector Engagement was developed and finalized. At this time it is too early to assess the efficacy of the strategy.

**Design Process**

58. **Project Documentation.** In 2009, PMD committed to reviewing and revising IFAD’s Project Design Report (PDR), with the aim of including all relevant information for implementation and shortening the documentation. In the summer of 2011, the new PDR Template was officially launched and all new projects designs began using the document exclusively as of January 2012. PMD’s consistent use of the template and the reduced (if not completely eliminated) reliance on working papers had led to a generally better articulated project design, with strong rationales and presentation of the components to be undertaken. Consequently IFAD’s PDRs are increasingly better “roadmaps” to be used as a basis for negotiation with the government, project implementation, and eventual ex-post assessment.

59. **QE review of co-financed projects.** In 2009, the QA requested that guidance be developed on the degree to which co-financed projects should be evaluated in IFAD’s internal Quality Enhancement process. At the end of 2009 and the beginning of 2010, PTA developed and presented a proposal for handling such cases to PDMT, CPM Forum, and at a QA-QE Seminar where it was agreed that the main financier’s report could be submitted along with additional brief documentation on IFAD specificities. This clarified approach improved IFAD’s ability to co-finance projects with donors without its internal review requirements unduly slowing down or otherwise impeding project processing.
60. **QE process reform.** In 2010 and 2011, QA Annual Reports and Wrap-up Notes noted the need for great PTA involvement earlier and throughout the project design process. In the spring of 2012, in conjunction with the results of an Internal Audit Report and a study commissioned by the Internal Office of Evaluation, a new QE Reform process was proposed, with a nine month pilot period set to conclude in 2013. While the official reform only took effect in mid-2012, the results of the broader trend of greater inclusion of QE advisers in project preparation activities was noted by the QA in 2011 and 2012 in several projects involving livestock, rural finance and infrastructure where PTA advisers had been closely involved in resolving project design difficulties both at headquarters and in the field.

61. **Direct Supervision Training.** In 2009, the QA recommended that IFAD should provide supervision training to assist CPMs who were charged with directly managing the supervision of their project portfolios. In 2010, PMD launched a new Direct Supervision training course for IFAD CPMs and other staff to teach basic approaches and methodologies used in supervision activities. From the project design perspective, the results from ensuring a common baseline understanding of how to undertake project supervision are manifold and include: better country knowledge and project information incorporated into project design; greater awareness of best-practice (and common pitfalls) encountered by donors and partners operating in the same host country; greater sharing of supervision experiences (and failures) which can shape and inform approaches used in designing specific project components; and greater institutional capacity for responding to implementation challenges.

**Technical**

62. **Logical Framework Revision.** Since 2008, QA reviewers have repeatedly requested that IFAD should systematically review and revise its approach to preparing and using Logical Frameworks. In 2011, PMD launched a new LogFrame Template and guidance for CPMs in order to clarify the instrument’s uses, explain the basic structure, and simplify the presentation of information. In 2012, QA reviewers noted considerable improvement in the use and preparation of Logical Frameworks. Although still a frequent theme raised by the QA (see Table 4), the substance of the recommendations has started to shift from fundamental concerns about the Fund’s inconsistent use of the tool to more pedestrian project-specific concerns about the indicator selection, wording, and target setting.

63. **Economic and Financial Analysis.** In response to multiple QA recommendations from 2009, 2010 and 2011, PTA and QA co-sponsored a workshop on Economic and Financial Analysis held in October 2011 and members of both QE and QA teams presented the findings to IFAD staff. In early 2012, an internal working group was formed to discuss aspects of enhancing IFAD’s use of economic and financial analysis and in September 2012, new internal guidelines were officially launched, with subsequent training modules slated for development over the near term.

64. **Subsidies.** In 2011, PMD committed to developing specific IFAD policy statements on best practices in the use of subsidies in the agricultural sector, which would be informed by a report which IFAD contributed to entitled, "Subsidies as an instrument in agriculture finance: A Review.” In 2012, PTA released its new Matching Grants policy, which was co-developed with FAO, and outlined the main tenets of the document in a staff seminar in October 2012.

65. **Rural infrastructure.** In July 2011, PMD committed to reviewing, consolidating and finalizing IFAD’s internal guidance material related to aspects of rural infrastructure in project design. As of Fall 2012, Learning Notes on several infrastructure-related topics (such as local participation; procurement; institutional, partnership, and empowerment considerations; contract management and supervision) had been revised and expanded. Moreover, two reference documents
(knowledge brokerage products) on operation and maintenance and project implementation considerations were prepared during 2012.

66. **Equity Funds.** Following a 2011 QA recommendation for IFAD to undertake a more in-depth assessment of the advisability and utility of supporting government owned equity funds specifically focused on rural sector development, PTA and the QA Secretariat co-sponsored a workshop in June 2012 which included equity fund participants from the public, private and NGO spaces to discuss best practices as well as nuts-and-bolts elements of equity financing. A learning note from the event was drafted in August 2012 and is now in the process of being finalized.

**Project-level Recommendations**

67. In addition to the broader institutional-level recommendations listed above, a number of project specific recommendations are prepared by QA reviewers in agreement with the CPMs during each project review process. The QA Secretariat then requires that all projects report, one year after the first disbursement, on the extent to which QA recommendations have been incorporated into project design. This measure, aimed at ensuring that QA recommendations are given sufficient attention during implementation, was proposed in 2009 and was fully mainstreamed into all QA reviews in 2010.

68. During 2011 and 2012, the QA Secretariat received and reviewed some 40 progress notes from projects currently being implemented and supervised by IFAD. To date all of the notes received have been reviewed and, where needed, requests for additional clarification have been issued. In an initial assessment, the following broad observations were found:

- **Project implementation timelines** for many of the reviewed projects (more than 60%) were significantly delayed due to problems during implementation. Often these were related to the following obstacles:
  - (i) Staffing problems (lack of project team in place at start-up, weak local capacity, frequent turnover)
  - (ii) Top-down decisions affecting key project characteristics (changes in lead agencies, changes in subsidy policies, changes in aid priorities of partners)
  - (iii) Problems with tenders and procurement (dramatic increases in prices, limited availability of local providers)
  - (iv) Political turmoil (legislative delays, institutional competition, post-conflict environment, civil unrest in project area)

This experience confirms the QA’s repeated finding that implementation arrangements are one of the key areas of weakness in IFAD design and suggests that more must be done earlier in the project preparation process (through pre-financing, leveraging existing PMU arrangements and incorporating learning from previous in-country project implementation experience) to mitigate the likelihood of delays during implementation.

- **“Quick win” recommendations** that are more often (and perhaps easily) incorporated into the project design during implementation include: introducing GAC frameworks, revising logframes, and revising approaches to capacity building and targeting.

- **Potential threats from natural disasters** which have affected project implementation (e.g. typhoons, droughts, floods) have not been consistently

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6 This represents 80% of all projects currently required to provide progress reports to the QA. Given the considerable lag time between project approval and effectiveness and as well as the one year period following the first disbursement, reporting, compliance with this QA requirement can vary greatly from project to project.
raised or flagged by QA reviewers, suggesting that additional attention to risk management approaches in project design may be warranted.

(d) The two projects that were ultimately canceled from the lending were judged by the QA review as “Not Likely to Achieve their Development Objectives”

VI. Portfolio Analysis

69. Since 2008, IFAD’s Quality Assurance function has reviewed 171 projects, generating a number of recommendations and quality-at-entry data for each project. This section briefly presents the main findings of the 2012 update to the annual statistical analysis undertaken as part of the QA Annual Report exercise to explore potential relationships between quality at entry, supervision and external data sets. The goal is to identify potential drivers of project quality-at-entry which may not be evident in any single year, but are nonetheless prevalent at the portfolio level through statistical and data analysis.

Conclusions of Portfolio Analysis

70. **Analysis of increased project activity and quality-at-entry indicators:** As in 2011, the statistical evidence suggests that increases in the level of financing, co-financing and the number of beneficiary households supported by IFAD have no significant correlation at the portfolio level to the quality-at-entry of IFAD’s project designs, as measured by the QA’s RMF ratings. This finding supports the 2012 annual finding that overall project quality has not fallen during IFAD’s continued period of expansion.

71. **Regional level:** Weakening but still significant associations between the likelihood of achieving development objectives and regional affiliation suggest that this trend may have been more pronounced during the QA’s inaugural years. This notwithstanding, at the portfolio level, projects located in the APR region remain less likely to achieve their development objectives (as judged by QA reviewers) and projects in the Latin America and Caribbean region remain more likely to achieve their development objectives (as judged by QA reviewers). At the supervision stage, using a data set of only 92 projects, there is no statistically significant relationship between regional affiliation and the likelihood to achieve development objectives (as judged by CPMs).

72. **Sectoral level:** Some new – and very rough – data suggest that support for certain sectors within the rural space may be associated with poorer quality at entry or encounter greater difficulties during implementation. At the overall portfolio level, the data set it too limited and the results too weak to currently merit further discussion. Nevertheless, when categorizing the projects into those which primarily support only one sector or activity and those that have a more mixed composition of design elements, the association between sectoral affiliation and project performance approaches becoming statistically significant (and stronger), suggesting that projects providing solely (or primarily) Credit and Financial Services, Infrastructure, and Training and Capacity interventions may be more likely to have unsatisfactory “likely to achieve development objectives” ratings during implementation. At present there are too few observations per category to make a more definitive associative statement.

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9 The data presented in this section reflects the best efforts of the QA Secretariat to integrate several internal and external data sources into one dataset for the sake of improved analysis. For the year 2012, these data should be considered indicative only.

10 The analysis exercise found no variable pair with significance at 0.05 or 0.01 level (two tailed test) which had a Spearman’s Rho correlation coefficient with an absolute value higher than 0.21.

11 The Chi Square statistic is significant at the 0.01 level and has a Cramer’s V symmetric value of 0.27.

12 The Chi Square statistic is significant at the 0.09 level using a two tailed asymptotic test and has a Cramer’s V symmetric value of 0.501. The significance level does not meet the standard required for academic publications (which is 0.05 or 0.01), but will be monitored in future years to see if additions to the stock of IFAD’s QA data further exposes any statistically significant relationship.
73. **Reviewer analysis:** All of the most frequent issues flagged by the QA review in 2012 are systemic in nature (they affect many IFAD projects), and have no association at the regional level. Several recommendations are associated with specific sectors which are more prevalent in certain regions. Some recommendations are moderately associated with specific reviewers, but overall the association is not very strong and the recommendations are infrequently encountered\(^\text{14}\). There is no compelling statistical evidence to suggest that predictions related to likelihood to achieve development objectives are associated with particular reviewers\(^\text{15}\).

74. **Predictive power of quality-at-entry data:** The RMF indicators remain useful in showing how much attention project designs have given to a particular topic at the design stage, but they have not yet proven themselves as consistent predictors of outcome during implementation\(^\text{16}\). The QA’s Likelihood of Achieving Development Objectives (LADO) indicator remains a better tool in this regard, although it, too, is not yet robust enough to be used for more accurate forecasting analysis\(^\text{17}\). Over the course of 2013, the QA Secretariat will make refinements to its data collection methodology and will also carry out qualitative assessments in order to shed more light on when and why QA predictions succeed and fail, so that future predictions can be more aligned to IFAD’s implementation experience, and therefore more useful in ex ante assessments of project quality.

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\(^{14}\) Recommendation areas that are associated with specific reviewers are not very common and include: Environmental issues; Risk mitigation; Scaling-up and Value Chains.

\(^{15}\) The Chi Square statistic is significant at the 0.232 level using a two tailed asymptotic test.

\(^{16}\) Only RMF1 and RMF2 had statistically significant associations (at the 0.05 or 0.01 levels using a two-tail test) with expectations during supervision regarding the likelihood of achieving development objectives. Cramer’s V symmetric measures for the two indicators were 0.273 and 0.201 respectively. However, neither indicator was significantly associated (at the 0.05 or 0.01 levels using a two-tail test) with the other supervisory indicators that could be considered proxies for summarizing overall project success such as: “Overall Implementation Progress”, “Exit strategy readiness and quality”, “Acceptable Disbursement Rate”, “Potential of Scaling-up and Replication”, or the Project-at-Risk indicator. Moreover, neither indicator is a consistent predictor of project cancellation.

\(^{17}\) The Chi Square statistic for the variable pair “QA: Likely to achieve development objectives” rating and “IFAD Supervision: Overall Implementation Progress” is significant at the 0.004 level using a two tailed asymptotic test and has a Cramer’s V Symmetric value of 0.3. The Chi Square statistic for the variable pair “QA: Likely to achieve development objectives” rating and “IFAD Supervision: Likely to Achieve Development Objective” is significant at the 0.013 level using a two tailed asymptotic test and has a Cramer’s V Symmetric value of 0.257. Moreover, the QA’s LADO indicator has significant statistical associations with a several other supervision indicators including “Overall Implementation Progress”, “Exit strategy readiness and quality”, “Acceptable Disbursement Rate”, “Potential of Scaling-up and Replication”, or the Project-at-Risk indicator. LADO has accurately predicted both projects which were reviewed by the QA and subsequently cancelled during 2008-2012.