Corporate Level Evaluation on Efficiency

Preliminary Findings

IFAD's Independent Office of Evaluation

Presentation to Evaluation Committee

21 November 2012

Outline

- Purpose, Background and Context
- Conceptual framework, objectives and design
- Main reform initiatives to enhance efficiency
- Main findings
    - Programmes
    - Programme management
    - Oversight and Support
    - Managing Results, Budget and People
    - Leadership and Decision-making
    - Governance
- Next steps

Purpose and Background

Purpose

- Share findings (taking account of Management feedback on interim report) and seek feedback

Background

- 2010 ARRI treated efficiency as a learning theme leading to Board approval of undertaking of Efficiency Evaluation in 2011-2012
- Board and President of IFAD have encouraged evaluation
- Approach paper discussed in Evaluation Committee in March 2011; Inception report completed in August 2011
- Emerging Markets Forum contracted in September 2011
- IOE also benefits from inputs of 2 Senior Independent Advisors

IFAD Context

- Dual character as both UN Agency and IFI
- Challenging mandate
- Modest resources to meet enormous developmental challenge -- means scaling-up of impact is essential for IFAD relevance
- Attracting partner resources requires high threshold of effectiveness, efficiency and sustainability

Accordingly, this CLE sets high bar for evaluating IFAD efficiency

Conceptual Framework of Evaluation

Efficiency taken as "a measure of how economically resources are converted into results."

- Results comprise outputs, outcomes and impacts – potentially leading to three different levels of efficiency
- Impact efficiency, clearly most meaningful, but also most difficult to track and use
- Output efficiency, in contrast, easier to track but may run counter to outcome and impact efficiencies
- Primary emphasis on impact and outcome efficiencies with due regard to trade-offs with output efficiency

Conceptual Framework of Evaluation

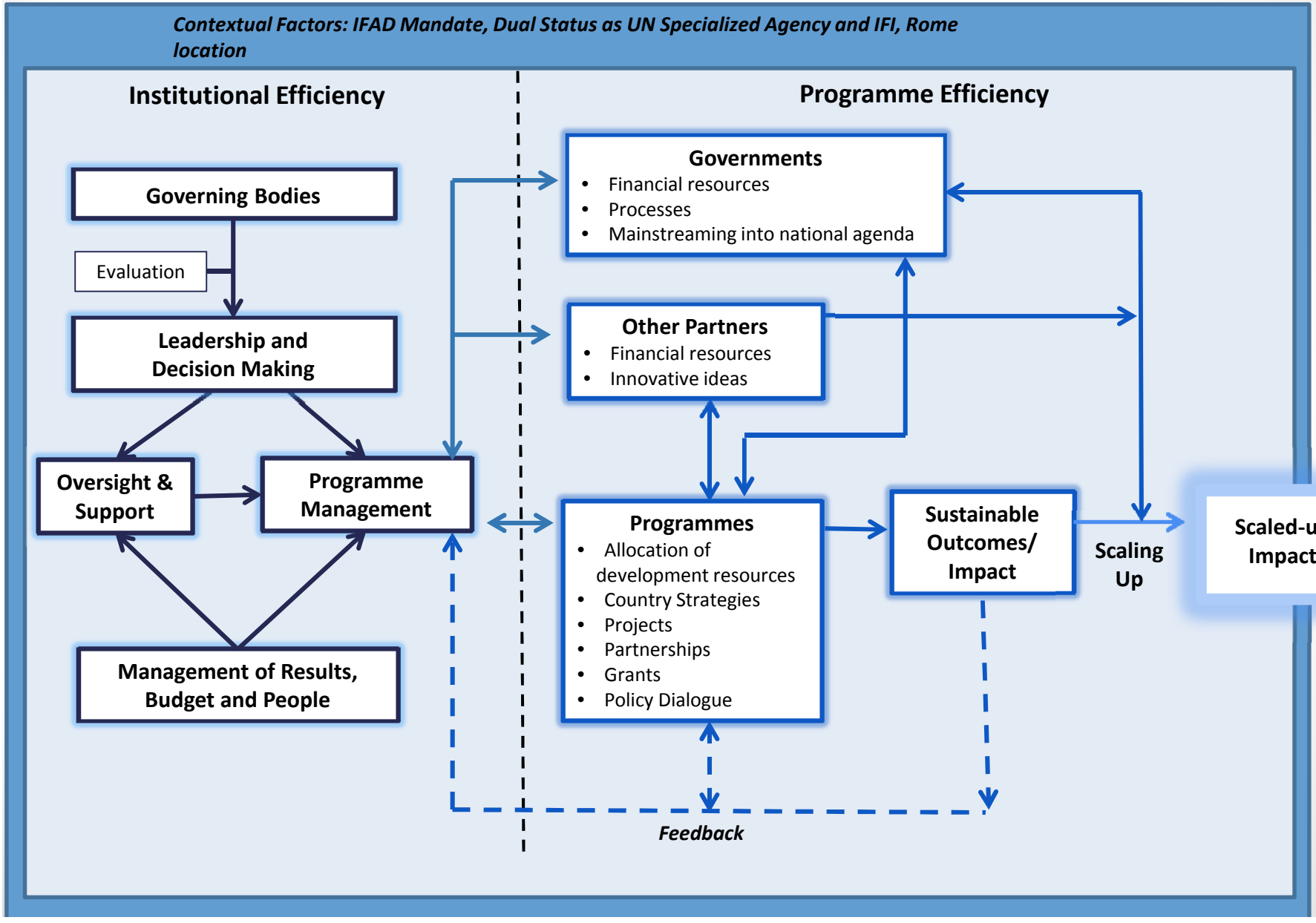
IFAD efficiency can also be divided into two distinct but inter-related elements:

- **Programme efficiency** – a measure of how well IFAD deploys its development resources (loans and grants) to support development outcomes and impacts

and

- **Institutional efficiency** – a measure of how well IFAD uses its administrative budget to deliver and manage its development programmes

Conceptual Framework of Evaluation(cont'd)



Objectives

Evaluate IFAD's efficiency (against baseline of IEE and IFAD8 commitments), review past efforts to improve it and recommend actions to enhance it on sustainable basis. Evaluate/assess :

- **Efficiency of IFAD programmes**, with particular attention to scaled up impact
- **Institutional efficiency** of key functions and processes that support the delivery of programmes
- **Government processes** in the agriculture and rural sectors that affect efficiency of IFAD-supported programmes
- Architecture and functioning of **IFAD governing bodies** and relationship to the Fund's overall institutional efficiency
- **Efficiency indicators** and suitable approaches for better assessing project and programme level and institutional efficiency

Recommend actions to enhance efficiency

Evaluation Methodology and Challenges

- Timeline: 2005 till date
- Use of mixed methods, triangulation, and team judgment; benefitted from open access to data and candor of staff, managers and Board.
- Techniques for data collection: review of documents, surveys, interviews and focus groups, field visits in five countries, and data collected from comparator organizations
- Challenges:
  - ✓ Unprecedented evaluation within and outside IFAD, with far-reaching objectives and coverage
  - ✓ IFAD in transition – lag between actions and realization of impact
  - ✓ Gaps in cost, expenditure and HR data; fragmented databases

Reform Initiatives by IFAD to Enhance Efficiency

- Action Plan following 2005 IEE focused mostly on enhancing effectiveness

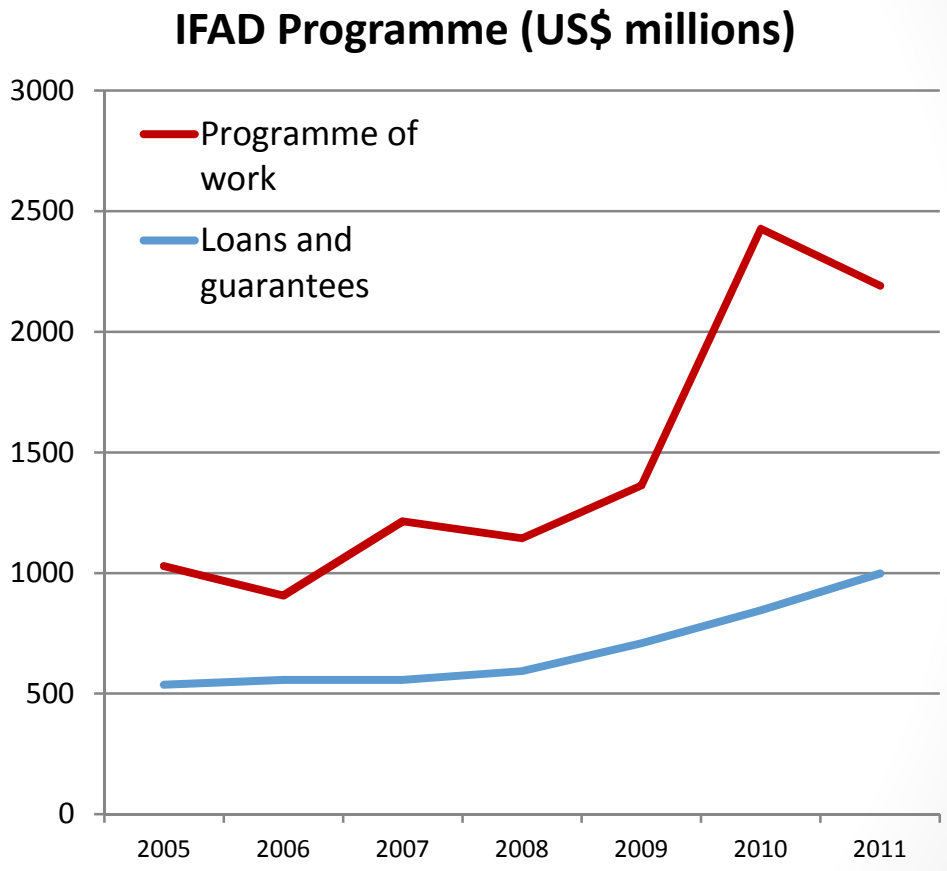
- Concerted efforts in recent years to enhance efficiency, e.g.:
  - ✓ Greater focus on institutional efficiency and efficiency of operations by the Governing Bodies and IFAD Management
  - ✓ New business model for operations
  - ✓ Change and Reform Agenda launched in 2009

- Several others launched while evaluation under way:
  - ✓ Commitments under IFAD9 (e.g., under "Managing for Efficiency")
  - ✓ Third MTP, 1st Strategic Workforce Plan and 2013 Budget Process
  - ✓ Strengthened attention to IFAD's financial sustainability

Preliminary Findings

Programmes – Performance

- IFAD has significantly expanded its programme in recent years



Programmes – Performance (cont'd)

- IFAD has significantly expanded its programme in recent years
- Performance has improved since IEE, though not all targets met

Internal benchmarking (% moderately Satisfactory +)

Evaluation Criteria	Independent External Evaluation (IEE)	IOE 2009-11 evaluations	2012 Targets from Results Management Framework
Relevance	100	92	90
Effectiveness	67	72	90
Efficiency	45	55	75
Rural poverty impact	55	78	90
Sustainability	40	60	75
Innovation	55	77	80
Gender	n/a	81	80

Programmes – Performance (cont'd)

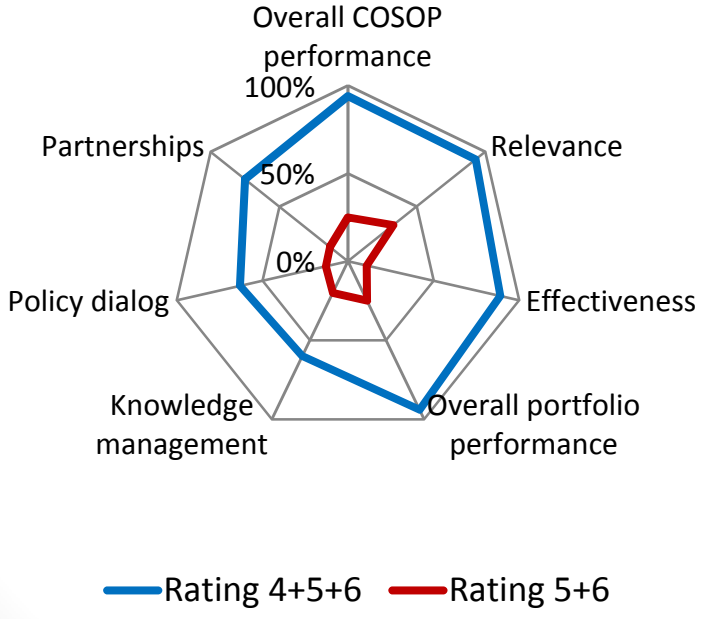
- IFAD has significantly expanded its programme in recent years
- Performance has improved since IEE, though not all targets met
- Performance comparable to WB despite more challenging mandate, and better than AsDB (and AfDB)

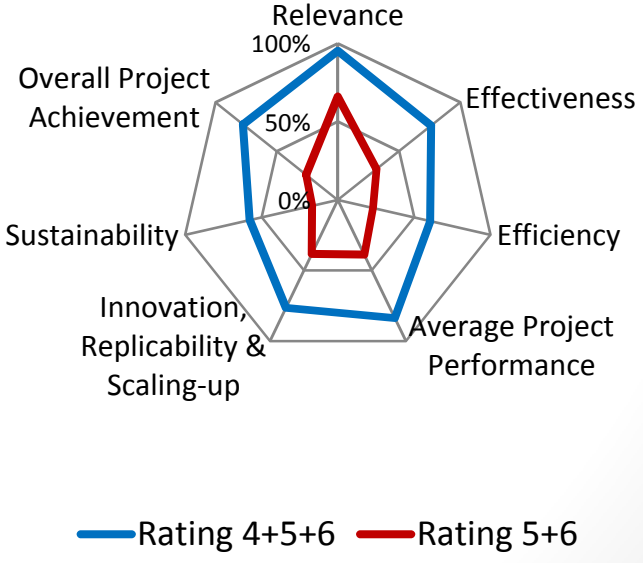
% of Agriculture and Rural Development projects completed 2000-2011 rated moderately satisfactory +

	IFAD	AsDB	WB
Time period 2000-2011	81%	59%	80%
Number of projects	151	141	396

Programmes – Performance (cont'd)

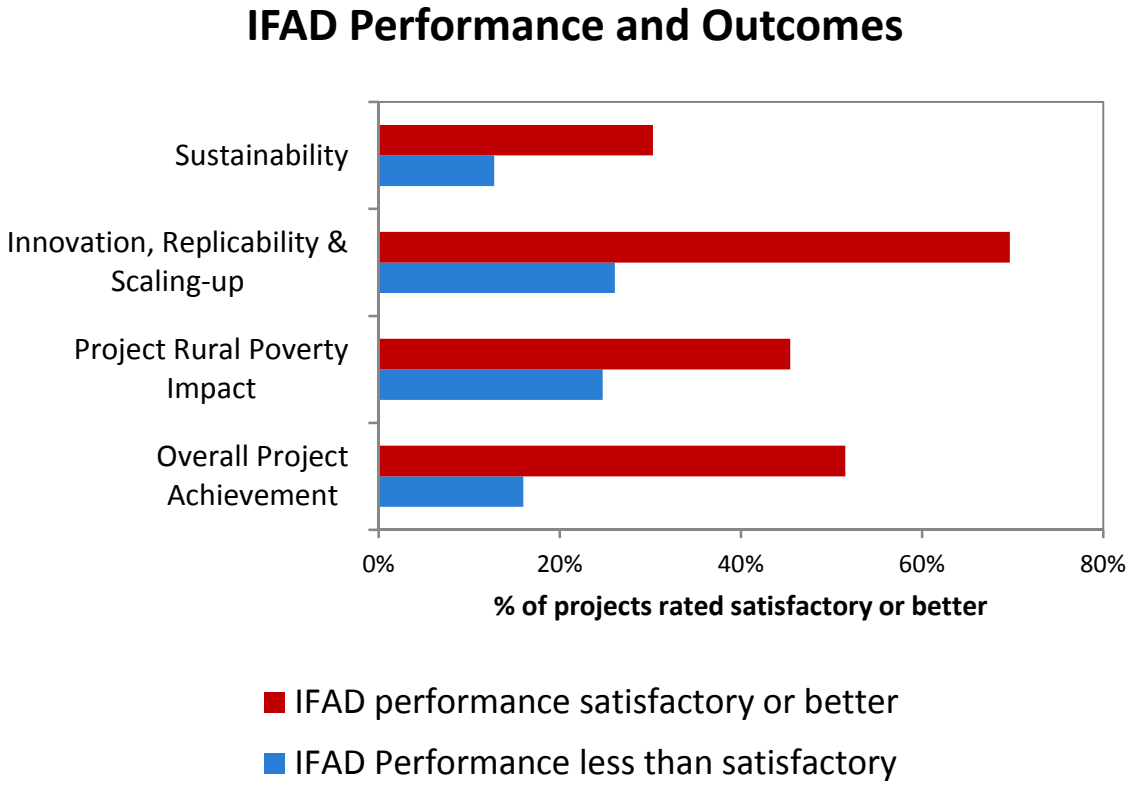
- Performance is however moderately satisfactory
- Measured against bar of "satisfactory or better", efficiency and sustainability are low and fall short of level needed to catalyze significant scaling-up by partners





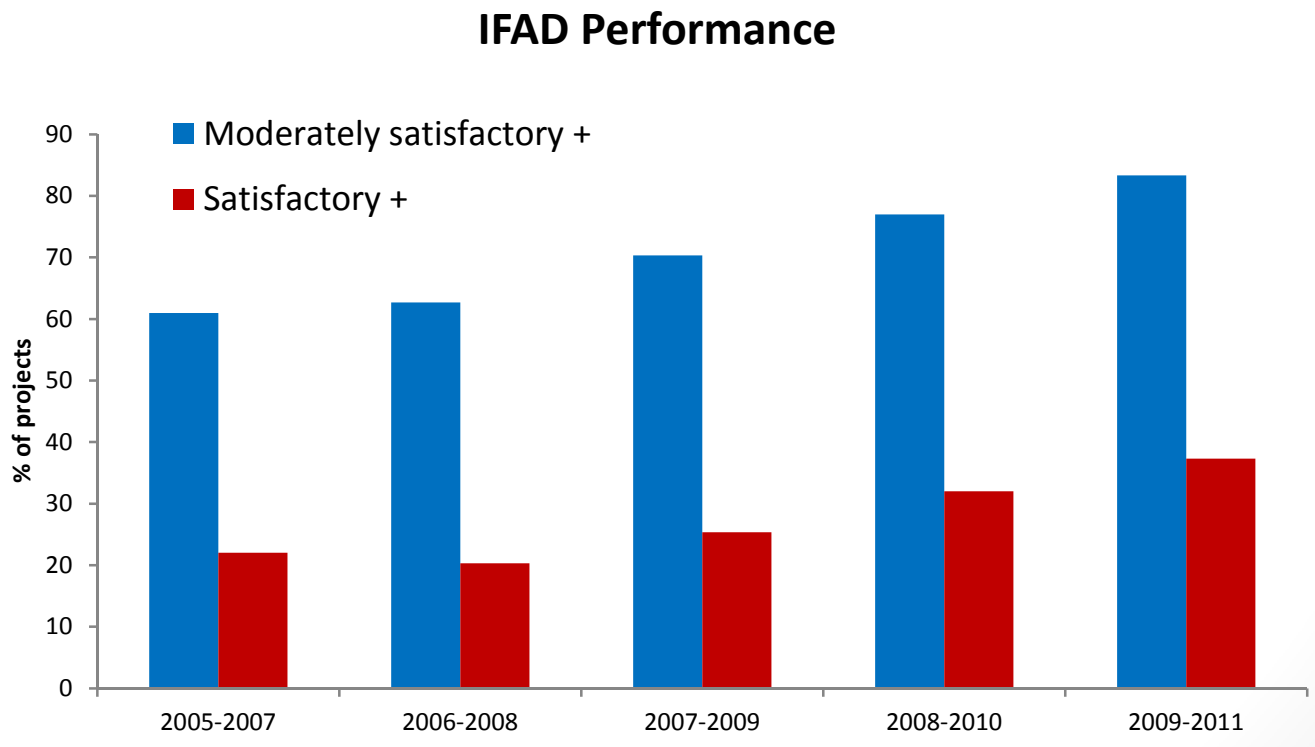
Programmes – Performance (cont'd)

- Raising the bar from moderately satisfactory + to satisfactory + would not only lead to significant gains in direct outcomes, but also to large gains in impact through scaling up



Programmes – Performance (cont'd)

- Percentage of projects with moderately satisfactory + performance has been improving and exceeds 80%
- Percentage of projects with satisfactory + performance has also been increasing in recent years



Country Programmes

Areas of progress

- IFAD in transition from focus on individual projects to longer-term, programmatic approach with increased attention to:
  - ✓Partnership
  - ✓Knowledge
  - ✓Policy dialogue
  - ✓Scaling up

Areas for improvement

- Thematic focus and differentiation of approaches according to country context
- Grants are an important instrument but not used strategically, and linkages to country programmes weak
- Partnership and policy dialogue at country level need strengthening to underpin scaling up

Projects

Areas of progress

- Governments appreciative of IFAD work in demanding environments
- Approaches pioneered by IFAD likely to be scaled up if successful

Areas for improvement

- Project complexity (e.g. multi-sector coverage) in relation to client capacity
- Inadequate financial and economic analyses
- Limited funding of design, leading to moderately satisfactory quality at entry and readiness for implementation
- PMUs effective for project implementation, but undermine sustainability

Government Processes

- Government capacity limited for project preparation and design, and M&E
- Slow release of government counterpart funding

Programme Management

Areas of progress

- IFAD has filled gaps in policies, guidelines and procedures identified in IEE
- Direct supervision and implementation support (DSIS)
- Expanded country presence
- Increased attention to portfolio management
- Quality assurance function introduced in 2008
- On-going QE reform enables welcome shift of PTA staff input to early stages of design and to DSIS

Programme Management (cont'd)

Areas for Improvement

- Inadequate attention to resource implications of corporate policies (e.g., on gender, partnerships) limits effectiveness
- Implications of DSIS and country presence to IFAD's operating model, organization, roles and institutional efficiency require further clarity
- Staff technical skills short of requirements for project design, DSIS, grants, COSOP preparation and policy dialogue
  - ✓ Teams rely heavily on consultants particularly for field work - Staff to consultant ratio (number of days) for design is 1:3
  - ✓ Team leadership contracted out - Less than half of concept and design missions led by CPMs/staff; constrains knowledge management and policy dialogue
- Workload and performance among CPMs varies dramatically
- Accountability of Regional Division Directors related to quality of operations not well defined

Oversight and Support (O&S)

Areas of progress

- Management has strengthened IFAD's organization to achieve better effectiveness (e.g., FOD, SKM, ethics office, etc.)
- Resources shifted away from O&S functions to improve efficiency

Areas for improvement

- IFAD spends more on O&S units than most comparators (partly due to Rome location and minimum requirements for some services)
- Several corporate business processes (e.g., travel, consultants' recruitment, procurement of services, etc.) are cumbersome. Loans and grants administration Rome-centric and processing of withdrawal applications slow
- IFAD lags comparators in ICT; governance weak; mission critical systems are inadequate and not integrated.
- Operations benefits from legal services, but scope of issues covered by legal may need review

Managing Results and Budget

Areas of progress

- Comprehensive framework for managing results now in place
- Attention to measuring and reporting on results increasing
- Recent improvements in budget process, execution, monitoring and transparency
- Resources shifted to cluster 1 as committed under IFAD8

Areas for improvement

- Overall, IFAD results system is complex (e.g., RIMS in relation to country capacity), different layers are not fully aligned, and quality of project and programme level M&E remains weak
- Senior Management strategic guidance on budget allocation can be strengthened by better considering priorities, trade offs, and actual and expected development result
- Budget data not easily retrievable to inform decision-making
- Budget function has not had required seniority in staffing

Managing People

Areas of progress

- IFAD has sought to implement new model while operating within UN HR policies/system
- Cutting edge PES
- Upcoming natural attrition provides scope to strengthen technical skills, while lowering per capita staff (particularly GS) costs

Areas for improvement

- People management remains a challenge despite repeated attempts to address shortcomings
- Staff skills in programmes are not fully aligned with the requirements of the new business model (e.g., for policy dialogue)
- Weak performance management and uneven staff performance is major contributor to inefficiency

Leadership and Decision-Making

Areas of progress

- Top leadership championing increased efficiency
- EMC and reformed OMC are useful platforms -- but might diffuse accountability of line managers
- Some systems/processes in place (e.g., individual PES, incentives for CPM out-posting, etc.), yet accountability and incentives framework not sufficiently developed

Areas for improvement

- Line managers performance variable and affecting efficiency
- CPMs often operate in a “free space” (as also found by IEE in 2005)
- Many processes based on stringent ex ante controls due to compliance culture

Governing Bodies -- General

Areas of progress

- IFAD governance structure is on the whole effective
- Legitimacy and 'voice' are not a major concern, though rigidities in Board representation due to Lists require attention
- Replenishment Consultations focus IFAD's owners on past performance and needs for future change; Board members and Management provide primary stimulus to formulate position of Deputies
- IFAD9 efficiency was enhanced by appointment of independent chairman

Governing Bodies – General (cont'd)

Areas for improvement

- Efficiency of functioning of Governing Bodies is constrained by:
  - Overloaded agenda and underutilized potential for further delegation (from GC to Board, e.g., for Budget approval, and Board to President, e.g., by raising threshold for approval by lapse of time procedure)
  - Excessive volume and size of documentation and late delivery
- The absence of a cooling-off period before entry into service of IFAD conflicts with the soundness of the governance structure

Governing Bodies (cont'd)

Governing Council

- In addition to Governance, the GC has provided a platform for discussing global policy issues on smallholder agriculture
- Differing views on format and frequency of GC meetings

Executive Board and its Committees

- Low frequency of Board meetings and multiple tasks of most representatives help to avoid the temptation to micro manage. Board meetings are managed efficiently.
- Board agendas overloaded and not sufficiently focused on results, lessons learned, and strategic issues
- Contributions of EC and AC to Board preparation and its deliberations are crucial; oversight by AC could be further strengthened by attracting outside expertise, as needed
- Amended(in 2011) TOR of EC together with expanded and more focused remit of IOE contribute to relevance of evaluation to IFAD performance
- Constructive interaction between Management and IOE, before EC and Board, enables Board to seize on relevant issues of development effectiveness

Some Overarching Reflections

- IFAD has largely delivered on IEE follow-up and IFAD8 commitments
- IFAD is in transition on several fronts; therefore, full impact of changes is as yet unclear and will be evident only in coming years
- Performance comparable to other MDBs
- IFAD mandate and scale lead to higher costs in relation to its outputs and thus lower output efficiency than its larger comparators; lack of access to Trust Fund-like resources further disadvantages IFAD
- There are important trade-offs between efficiencies at output, outcome and impact levels
- Given IFAD's small scale, raising the bar from moderately satisfactory to satisfactory is imperative to become center of excellence, catalyze scaling up and raise impact efficiency
- Improving efficiencies will require greater prioritization and differentiation of operational services with stronger focus on results
- There is significant scope for improving efficiencies in non-operations areas
- Stronger accountability framework is essential for improving performance management

Next Steps

- Draft Final Report taking account of Management comments on Interim Report and Evaluation Committee discussion: November/December
- Share Draft Final Report with Management: 7 January
- IFAD Management comments: beginning February
- IOE to finalize report and transmit to SEC: end February
- Present Final Report to the Evaluation Committee and Executive Board: April 2013