Enabling poor rural people
to overcome poverty

IFAD Management Response to the Corporate level evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operations

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Note to Evaluation Committee members

Focal points:

Technical questions:

Mr Kevin Cleaver
Associate Vice President
Programme Management Department
Tel.: +39 06 5459 2419
e-mail: k.cleaver@ifad.org

Mr Henock Kifle
Senior Adviser to the President
Organizational Planning & Coordination
Tel.: +39 06 5459 2518
e-mail: h.kifle@ifad.org

Mr Shyam Khadka
Senior Portfolio Manager
Programme Management Department
Tel.: +39 06 5459 2388
e-mail: s.khadka@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

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Note to Executive Board representatives

Focal points:

Technical questions:

Mr Kevin Cleaver
Associate Vice President
Programme Management Department
Tel.: +39 06 5459 2419
e-mail: k.cleaver@ifad.org

Mr Henock Kifle
Senior Adviser to the President
Organizational Planning & Coordination
Tel.: +39 06 5459 2518
e-mail: h.kifle@ifad.org

Mr Shyam Khadka
Senior Portfolio Manager
Programme Management Department
Tel.: +39 06 5459 2388
e-mail: s.khadka@ifad.org

Dispatch of documentation:

Deirdre McGrenra
Head, Governing Bodies Office
Tel.: +39 06 5459 2374
e-mail: gb_office@ifad.org

Executive Board – 108th Session
Rome, 10-11 April 2013

For: **Review**

Contents

Annex

IFAD9 Commitments to Improve the Fund's Efficiency

Abbreviations and acronyms

IFAD	International Fund for Agricultural Development
IOE	Independent Office of Evaluation
CRA	Change and Reform Agenda
PRISMA	Implementation Status of Evaluation Status of Evaluation Recommendations and Management Actions
ARRI	Annual Report on Results and Impact
CPEs	Country Programme Evaluation
MDBs	Multilateral Development Banks
LDCs	Least Developed Countries
CPM	Country Programme Manager
PMD	Programme Management Department
EB	Executive Board
MICs	Middle-income Countries
COSOP	Country Strategic Opportunities Paper
SWP	Strategic Workforce Plan
QE	Quality Enhancement
ICOs	IFAD Country Offices
ICT	Information & Communications Technology
RIMS	Results & Impact Management System
M&E	Monitoring & Evaluation
EMC	Executive Management Committee
OMC	Operations Management Committee
GC	Governing Council

I.   Introduction

1. Management welcomes the opportunity to provide its response to the final report on the Corporate Level Evaluation on IFAD's efficiency (CLEE)[1]. Management had provided extensive comments to IOE on earlier drafts of the CLEE. Management is pleased that IOE has responded to some of Management's concerns. Other concerns regarding methodology and data have, however, not been taken into account in the final report. These will be discussed in greater detail below.

2. As the CLEE notes, improving IFAD's efficiency has been a central concern of both the governing bodies and management of the Fund. In 2009, management introduced the Change and Reform Agenda (CRA) with the goal of making IFAD a "... more effective, efficient and agile institution". In the course of the Ninth replenishment consultations, Management, at the request of Deputies, tabled a paper on "Managing for Efficiency" (REP.IX/3/R.2). This provided the basis for the specific efficiency-related commitments made by the Fund for the IFAD9 period (see Annex 1).

3. One of the commitments made under IFAD9 is to ""… *integrate the recommendations of the corporate-level evaluation of the Fund's efficiency into the CRA and strengthening indicators used to measure performance with respect to efficiency*." Accordingly, management proposes to include in its plan for enhancing the Fund's efficiency many of the recommendations that the CLEE has made.

4. Management, does not however believe, there is a need for a separate "Action Plan" for efficiency as the basic outlines of such a plan have been agreed in the IFAD9 Replenishment consultations and integrated into IFAD's Results Measurement Framework (RMF). Reporting on the progress made in implementing these various measures will be made through the normal reporting mechanisms such as the Annual Report on Development Effectiveness (RIDE). The agreed recommendations (see Section III below) will also be tracked through PRISMA and reported to the Board as per established practice.

5. Management's response to the CLEE is organized as follows. In Section II, Management's overall assessment of the Report is provided. Management's remaining concerns and disagreements with the approach of the CLEE and some of its major findings are also discussed. In Section III, Management's agreements with the CLEE are presented as well as the actions that Management will take to implement the recommendations of the CLEE. Management's response to the seven principle recommendations of the CLEE is presented in Section IV.

II.   Management's overall assessment, concerns and disagreements

6. *Context:* Management believes the final CLEE report now provides a more accurate and balanced context for IFAD's operations. The Report notes the hybrid nature of IFAD – a United Nations Agency that however operates as an international financial institution (IFI). These have clear implications on the Fund's efficiency. The Report also takes into account the important operational changes that have occurred in IFAD following the 2005 independent evaluation of IFAD (IEE), as well as the organizational and management transformations that have taken place in the Fund following the adoption of the Change and Reform Agenda (CRA) in 2009. These provide the essential context for any analysis of IFAD operations and for evaluating IFAD's institutional efficiency and programme efficiency.

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[1] IOE, Corporate-Level Evaluation of IFAD's institutional efficiency and efficiency of IFAD-funded operation (EC 2013/76/W.P.4 (8 March 2013).

7. ***Conceptual and methodological weaknesses***. In its comments on earlier drafts, Management had, however, indicted its concerns on the conceptual and methodological weaknesses of the Report. It had noted that in the absence of hard data and quantitative analysis, the Report had a tendency to rely heavily on opinions and views for its conclusions and recommendations. These concerns remain. Thus, while a number of the observations of the Report are worthy of further investigation and action, Management does not accept the claim that that the findings of the CLEE are robust (para. 18 P.40). The CLEE itself had noted in the draft final version of the Report that *"… the related findings may not merit the stringent standards of evidentiary basis needed to establish accountabilities for the past performance."*

8. Management is raising this issue not because it disagrees with all the observations and recommendations of the CLEE but to caution that many of these observations and recommendations remain judgement calls and opinions and are not adequately supported by data and analysis. In trying to implement the CLEE's recommendations, Management will therefore need to corroborate their validity through further studies.

9. ***Estimating project efficiency.*** The Report bases most of its critique of IFAD-financed project efficiency using faulty data. The data used for the analysis is that of the IOE ARRI database which was presented to the Board in December 2012. However, as management pointed out in its response to the 2012 ARRI, of the 24 projects evaluated, 45 per cent were approved on or before 1999 and an additional 44 per cent before 2004. Despite the fact that 89 per cent of the projects were approved on or before 2004, the CLEE nonetheless concludes that "the data indicates no discernible improvements since around 2006 in the efficiency of IFAD supported projects".

10. Further, the CLEE states that only 55% of projects are moderately satisfactory or better on project efficiency – evidently, a major conclusion. In contrast, the project completion reports show that in 2011, 70 per cent of the projects reviewed were moderately satisfactory or better (against 2012 target of 75 per cent). Further, while the Quality Assurance (QA) process does not specifically measures project efficiency, its rates projects against the expected overall performance. In the review cycle ending June 2012, QA reviewed 32 projects and assigned 90 per cent of the projects as moderately satisfactory or better against that indicator.

11. The result of the use of faulty data is that several of the subsidiary conclusions are also faulty, notably that "many project designs suffer from complexity linked to multiple objectives and components, large geographical dispersion and unclear institutional arrangements". While these conclusions were certainly true for a sizeable proportion of the ARRI 2012 24-project sample, this sample does not reflect IFAD projects designed since 2006. Paragraph 39 on page 48 of the annex purports to substantiate the report's findings by saying that "of the 46 projects presented for quality enhancement during 2011, five had no financial economic analysis at all, and analyses in almost three-quarters needed substantial improvements." While true, five projects of 46 reviewed are only 10 per cent of the total. Conversely, this meant that nearly 90 per cent had such analysis. Thirdly, management has required that all new projects undertake an economic and financial analysis and management assesses the adequacy of such in new projects at the "quality assurance" stage and subsequently during supervision.

12. ***Benchmarking***. In development practice, where multiple criteria are used in judging performance, there is always an element of 'trade-offs' between various competing objectives. A case in point is IFAD's mandate to serve the poor rural areas which have suffered historically from low investments in economic as well as social sectors and thus lack even basic infrastructure. The report alludes to this (para 37, Overview) but fails to make a conscious effort to do a proper analyses that would

make the benchmark comparison of IFAD's performance vis-à-vis other IFIs possible. On the contrary, the report recommends that IFAD 'raise the bar for IFAD's own performance… and achieve satisfactory or highly satisfactory evaluation ratings for IFAD's own performance." (para 194, p.109). This key recommendation is made despite the decision made in the Ninth replenishment to keep the target as moderately satisfactory or better. It will be recalled that this decision was taken to remain consistent with the targets of all other IFIs.

13. ***Budget neutrality of the Report's recommendations and possible impact on efficiency.*** The report makes a number of important recommendations – such as improving the design of projects at entry, enhancing the capacity of recipient governments, increased policy dialogue, etc. – which it acknowledges are *not all budget neutral*. Nonetheless, the Report makes the bold statement that *"CLE … estimates that there is sufficiency budget flexibility so that even in a flat-budgeted scenario, there is room for efficiency gains and reallocations that would allow implementation to start in the current replenishment period"* (#202, p.111). As the issue of returns for investment and related trade-offs (i.e., what should be given up to implement the recommendations of the CLEE) are clearly at the heart of any efficiency discussion, Management finds it unsatisfactory that such a bold assertion is made without a clear demonstration of its feasibility.

14. ***Efficiency Indicators.*** Management also notes that the Report now contains a section on indicators to assess project and institutional efficiency. IFAD management has reviewed the suggested indicators for measuring project and institutional efficiency (Box 1). Its comments against each suggested indicator is presented in the attached Annex. As can be seen (Annex II), of the 12 indicators, three are part of existing measurement system and three are extensions of that by making them ex-ante or ex-post. Of the remaining six, five would either generate unreliable measure given a very small sample (use of CPEs or assessing IFAD performance at project entry) or would be unjustifiably costly to measure. And one proposed indicator would encourage inefficiency rather than efficiency (making outputs units rather than output value as the basis for budgeting).

III. Management's agreements and proposed actions

Programme management

15. Management appreciates IOE for collecting, synthesizing and analysing some additional information and arriving at the following conclusions: (i) IOE's country programme evaluations have 'rated IFAD in satisfactory zone putting IFAD well ahead of the performance of other MDBs' (# 32); (ii) PMD is building in-house capacity by providing training and improving project documentation, including completion reports (# 47), and (iii) commendable progress made in the Fund's self-evaluation system (Appendix I, # 45). Management agrees with the CLEE finding that 'the country presence and direct supervision ... have improved the quality of implementation support …".

16. Management also agrees with the statement made with respect to the evolution of IFAD from a project-driven institution to an agency which goes 'beyond projects'. As is the case for project efficiency, more recent projects, designed after these objectives were agreed to by IFAD members, are doing better on this score.

17. ***Performance-based allocation system (PBAS).*** Although not the focus of the evaluation, IFAD's Performance-based allocation system and country selectivity are evaluated, and pertinent recommendations made (para 195 of Appendix I0). While IFAD management reiterates its position that scaling-up is 'mission critical', it is

concerned by the possibility that linking PBAS for leveraging financing through cost sharing with the borrowing governments may lead to a *lower allocation of resources to least developed countries* whose ability to share cost is limited. This will reverse the recent gain that LDCs have made in accessing IFAD's resources.

18. Management also agrees with the Report that it should be reasonable to expect higher cost-sharing from the middle-income countries. However, the strong growth in domestic co-financing is already evident in recent years in middle income countries. It is also noteworthy that despite the reduction in the volume of aid for agricultural and rural development, IFAD achieved the co-financing target agreed with its members in the 8th Replenishment Consultation (US$1.5 of co-financing per US$1.0 of IFAD loan or grant.

19. **County selectivity**. Management agrees with the finding that IFAD in general suffers from the low scale of economies in its operation and the PBAS process contributes to that by awarding a small allocation to 30 very small countries. *More country selectivity therefore can help enhancing institutional efficiency*. It is however important to keep in mind that such an approach would go against the mandate and mission of IFAD to serve all of its borrowing members. In other words, delivering results according to IFAD's mandate is a relatively more expensive proposition.

20. **Project design costs.** The report states that both the Asian Development Bank and the World Bank benefit from the project processing funding by the Japanese Government, and that IFAD does not benefit from such extra budgetary funding. Management agrees that IFAD's project design process is under-funded as it relies exclusively on its own administrative budget. This has implications for the overall quality of the project design and explains the lack of readiness at approval and design modifications noted by QA. Management agrees that there is a need to look for extra budgetary funds to support detailed project design and to address implementation problems in projects which cannot be dealt with through normal IFAD project supervision.

21. **CPM model and the use of consultants**. In the past, CPMs in IFAD acted as primarily as process managers, as noted in the report (# 57). With the opportunity that IFAD's changed policy on project supervision offered, most CPMs have responded very positively and have willingly accepted to lead supervision missions. This process was backed-up by an intensive in-house training programme. This has helped IFAD to eliminate the need for co-operating institutions, which were acting mainly as consulting firms. Realizing the risk of limited institutional learning that would arise from over-reliance on consultants, PMD increased the number of staff members in the last 2 years and this process may continue in the future. There is, however, a limit to this process, as it is not economical to recruit a full-time staff to cater to a speciality service required for limited duration.

22. **Reducing the number of borrowing countries**. In keeping with IFAD's medium term plan for 2013-15, IFAD management will make *further effort in reducing the number of borrowing countries* in future replenishment periods. This effort will be complemented by providing grants, sharing knowledge on rural poverty, and offering supervision services for development projects etc. to the member states agreeing not to borrow from IFAD. The approval of the EB Working Group on PBAS will be sought in any changes to PBAS-related policies and procedures.

23. **Policy dialogue, knowledge sharing and partnerships**. Despite severe financial and human resource constraints that IFAD faces in engaging in policy dialogue, IFAD management has started building its capacity, where appropriate, to understand policy gaps and in-country policy processes and engage in dialogue with various in-country stakeholders and will continue to do so. Currently policy dialogue, knowledge

sharing and partnerships are not part of the results framework and are thus not measured under the self-evaluation system. In view of their increasing importance IFAD management will include these as additional performance criteria in the project completion reports to be prepared beginning 1 January 2014.

24. **Customization of programmes**. On the issue of insufficient *customization to the respective country context*, IFAD management believes that while the project approach IFAD has adopted enables sufficient customization, the instruments and resources available are not always appropriate or adequate to respond to the demand of the countries or projects in fragile situations or performing weakly. A proposal for creating a multi-donor trust fund will be put forward to the Board in order to mobilise additional resources for providing additional technical assistance to the said category of projects and countries.

25. Similarly, more emphasis would be put in developing more knowledge products and sharing them with MICs. Likewise, findings related to the questionable usefulness of a formal COSOP in countries with relatively smaller programme and the need for engaging in a COSOP process with 'less administrative process' (para 36) are relevant. IFAD management will revise and implement revised guidelines for COSOPs. Similarly, IFAD management will try limiting the work related to the development and revision of the policy papers, also keeping in mind of the process culture these papers may inadvertently encourage.

26. **Project efficiency**. With respect to project efficiency, IFAD will continue strengthening its capacity to support rigorous economic analyses – both ex-ante during project design and ex-post during the project completion review. This will not only help building awareness and commitment to achieve greater economic efficiency but also obtain more data and information which is acting as the main constraint in assessing performance.

27. **Grants and knowledge management**. In view of the shortcomings in some areas of Grants and knowledge management, IFAD management has recently issued an interim procedure for grants aiming at introducing stronger strategic direction to IFAD's grant programme and adding emphasis on higher quality at entry, closer supervision during implementation and more systematic grant completion reviews. Once the independent evaluation of the Grants Policy is completed, IFAD management will engage into further improvements in its Grants Policy and Procedures and the overall grants programme.

28. **Use of consultants**. Realizing the risk of limited institutional learning that would arise from over-reliance on consultant, PMD increased the number of staff members in the last 2 years and this process will continue in future. The substitution (of consultants by staff) argument mentioned (para 61) has some validity and IFAD management will review and take appropriate action as part of the annual work programme and budget exercise. There is, however, a limit to this process, however, as it is not economical to recruit a full-time staff to cater to a speciality service required for limited duration.

29. **CPM leadership of all missions**. The recommendation that CPMs normally lead 'all major operational missions' (para 195) is not practical at this stage given the relatively small number of CPMs employed by IFAD. CPMs, will, however, continue to be accountable for leading the majority of the operational missions and for ensuring that these missions take place and effectively deliver expected results.

30. In addition, the SWP for 2013 has developed a new CPM model that should result in a better and balanced use of CPM time. This will be implemented in the coming years. We agree however on the need to balance CPM workloads, and the need for more

technical staff, substituting for consultants. To this end, IFAD management will also: (i) strengthen the monitoring of the quantity and quality of the mission outputs, and (ii) review periodically and balance workload among available CPMs.

31. **Staff training and development**. In addition, IFAD will further intensify the staff training and development programme, instituting e-learning programmes where applicable on project design, supervision, financial management and procurement reviews in order to improve implementation readiness at the time of approval as well as generally improving implementation performance. To that end, it will also review the impact of its recently revised QE process and fine-tune as necessary.

32. **Country office management**. IFAD has established its country offices with a clear objective of 'contributing to better development effectiveness with improved cost efficiency' (Country Presence Policy and Strategy, para 37). The size of these offices will continue to be small. The budget allocation for these offices is only US$12.5 million or only about 8.7 per cent of IFAD's total budget for 2013. As staff unit costs are significantly lower in the country offices, they account for about 18 per cent of the total staff positions approved for 2013. In other words, financial outlay for the ICOs is relatively small. The potential contribution ICOs can make is very significant, however. To IFAD management ICOs offer an organizational solution for higher development effectiveness in short to long term and cost effectiveness in the medium to long term. In this light, IFAD management will implement some of the more strategic recommendations presented in paragraph 196 of the report.

33. **Strengthening the RMF**. On the principles suggested for strengthening IFAD9 Results Measurement System (para 186), IFAD management has following comments:

   (i)   On impact indicators and monitoring of 80 million people, it has already submitted an information paper to the Board outlining the methodology;
   (ii) The scaling-up indicators is monitored qualitatively annually through the country programme issue sheet;
   (iii) Non-lending activities such as policy dialogue will be added in the measurement set (paragraph 21 above);
   (iv) On operational aspects, both number and values are monitored and IFAD will continue to do so;
   (v)   While segregating the performance of ICOs would not be feasible (para 28 above), IFAD management closely monitors their performance as part of annual country programme and portfolio reviews;
   (vi) IFAD management regularly uses the IOE data to find out disconnect and reports

34. **Accountability and results reporting**. As noted by in the evaluation report IFAD has devoted 'unprecedented attention to portfolio performance reviews and management, underpinned by a comprehensive and improving self-evaluation system (Overview, para 67)'. This proves IFAD management's unfaltering commitment to rigorously track its institutional performance as well the programme performance, analyse the performance trends and underlying causes for areas showing under-performance, and then work towards improving performance. The recommendations related to the culture of accountability and results reporting (paragraph 201) will be further reviewed, elaborated, as necessary, and implemented against the backdrop of the shift in emphasis 'from an approval mindset' in the past to a more results-oriented focus' now (paragraph 67, Overview).

35. **Cost implications of the CLEE recommendations**. As the implementation of the recommendations is unlikely to budget neutral Management will estimate the budgetary impact of implementing the recommendations, including those of

recruiting new technical staff, more aggressive support to government capacity, monitoring performance against expanded sets of indicators, as well as of the other interesting recommendations identified above. If the costs to implementation are found to be excessive and cannot be covered by savings, Management discuss the trade-offs involved with the Executive Board.

Oversight and support (O&S)

36. Management welcomes the acknowledgment of the various initiatives that it has undertaken to reduce costs, contain unit budgets and improve capacity of O&S units.

37. ***Expansion of O&S functions***. With regards the expansion of O&S functions (para 92, p. 68) management wishes to underline the rationale behind the creation of new offices, namely, enhancing the Fund's effectiveness in key areas. The Financial Operations Department was, for example, created to enhance financial management. And the Strategy and Knowledge Management Department (SKM) to strengthen strategy and knowledge management. As the CLEE notes, it is important to recall that output efficiency will not necessarily always lead to impact efficiency.

38. ***Administrative costs***. The CLEE notes that administrative budget of IFAD is higher than in most comparator institutions (para 95, p.69). While this may be the case, it is important to note two factors that account for it (i) lack of economies of scale and (ii) relativity high costs not only for administration but also for IT. While management is committed to reducing the costs of its administrative services, the costs of IT – investments and operating costs – are likely to rise. These are needed to improve institutional efficiency, as that the CLEE itself recognizes.

39. ***Improving business processes***, Management agrees with the CLEE that there is considerable scope for streamlining some major administrative processes (#95). This is one crucial area that Management will work on to streamline and improve business processes to improve the institutional efficiency of the Fund. It is a crucial pillar in the Fund's commitment to enhance its institutional efficiency.

40. ***Role of ICT***. Management also agrees with many of the observations of the CLEE on ICT (para. 99, p.104). Management is committed to improve the Fund's ICT system, particularly to make it integrated and improve enterprise information visibility.

Managing results, budget and people

41. Management has deep reservations on this part of the Report, as it believes the Report continues to underestimate the work that has gone in setting a RMF, and the new approaches that have been adopted in budget management and in managing people.

42. ***Results Measurement Framework.*** The Report claims that the link between IFAD's RMF and expected and actual results and operational work programmes are not clearly delineated. While agreeing that there is a need to strengthen such linkages Management believes that the analysis ignores the relations established between the RMF, the Divisional Management Results (DMRs), the Divisional KPIs, and the staff performance plans.

43. While the difficulties in gathering reliable data through RIMS has some validity, the issue goes to the resource constraints of IFAD's administrative budget and the inadequacy of project finance to build robust M&E capacity at the country level. Nonetheless, Management is committed to improving the quality of RIMS data.

44. ***Results-based budgeting***. Similarly, the various statement on budgeting minimize some of the key strategic decisions that have been made in the past as well as the clear priority setting and strategic choices that have been made in the preparation of the 2013 budget. Under IFAD8, much effort was made to constrain the budgets of O&S units and increase the budget for PMD and related activities. The delivery of the IFAD8 work programme and the results achieved was largely due to this shift of resources.

45. For 2013, budgets of all Divisions were initially constrained at the 92.5 per cent level (given a flat budget scenario) to identify the trade-offs involved within each Division and across IFAD. The work force requirements of each Division to deliver on its work programme taking into account business process changes were undertaken in the context of the Strategic Workforce Planning exercise. And final allocation of resources were made taking these trade-offs and workforce requirements into account. Despite this progress, Management is committed to setting up a robust results-based budgeting system in the near future.

46. Management agrees on the need to strengthen the budget unit (#114) within IFAD and has made provisions in the 2013 budget to establish a beefed up Budget and Organizational Development Unit (BOD) reporting directly to the Vice President.

47. ***Managing people***. The CLEE provides a comprehensive account of the framework within which IFAD operates. Many of the issues raised in the report are being tackled in the context of the strategic workforce planning exercise (SWP). The SWP exercise will be an annual planning exercise and will be linked the budget exercise. Issues such as the workload of CPMs, out posting of CPMs, span of control, strategic management of the workforce of ICOs, etc. are all being tackled through the SWP.

48. Management acknowledges the findings of the need for better staff and career development, the importance of putting a stronger accountability framework, and the need to elevate staff performance. Management will indeed encourage all managers to challenge poor performance. It is considering introducing a more robust rewards system while challenging more vigorously poor performance.

Organization, leadership and decision-making

49. Management is committed to improving business processes and is willing to reconsider the number of committees and working groups. It is also streamlining the relations between the EMC and OMC to minimize some of the issues identified in the Report. In addition, as part of its efficiency drive, Management will strive to improve business processes through a more robust ICT system. Management will also be looking into introducing performance and accountability contracts to promote managing for efficiency.

Governing Bodies

50. While Management does not wish to respond to the CLEE's findings on workings of IFAD's governing bodies, it does support the proposal to delegate approval of projects to the President (#170). It however does not support holding the Governing Council every two years (#167). The GC is increasingly becoming a forum for debate and discussions on major agriculture and rural development issues as is evident from the GCs of 2012 and 2013. Also, holding the GC every two years can have the danger of removing the spotlight on smallholder farming, jeopardising the scaling up agenda that the Fund is currently pursuing.

IV. **Management's response to the overarching objective and the seven recommendations**

51. ***Overarching objective: Raising the bar***. Management agrees that IFAD should strive for excellence and for scaled-up impact. It does not however agree that changes be made to the agreed system of rating its programmes and projects.

52. ***Recommendation 1: Scaling up of high impact, innovative approaches***. This is indeed the goal that IFAD has accepted in its Strategic Framework and in the IFAD9 consultations.

53. ***Recommendation 2: Clear vision for country presence*****:** Management accepts this recommendation and is one that is has been sharpening from year to year.

54. ***Recommendation 3: Increase service quality and cost efficiency in O&S units***. Management accepts this recommendation and is one that has engaged it since the launch of the Change and Reform Agenda.

55. ***Recommendation 4: Better manage scarce budgetary resources towards high-quality results.*** Management accepts this recommendation as it an on-going effort since the introduction of results-based budgeting in IFAD in 2010.

56. ***Recommendation 5: Manage strategically the skills composition, cost, and performance of the workforce***. Management accepts this recommendation as these elements have been part of the human resource reform efforts since 2009 culminating in the robust job audit and strategic workforce planning exercise in 2012. The efforts will continue.

57. ***Recommendation 6, Focus oversight by governing bodies on key strategic issues*** (this a matter for the governing bodies to consider).

58. ***Recommendation 7: Instil an institutional culture of accountability and performance and strengthen the reporting for results***. Management accepts this recommendation as it implies a strengthening of on-going efforts.

Annex 1

IFAD9 Commitments to Improve the Fund's Efficiency

i.   Introduce a fit-for-purpose staff time recording system;

ii.   Develop key business process efficiency indicators and benchmarks;

iii. Assess the value-added of business processes;

iv.   Integrate the recommendations of the corporate-level evaluation of the Fund's efficiency into the CRA and strengthening indicators used to measure performance with respect to efficiency;

v.   Streamline the Fund's processes and workflows through adoption of improved information and communication technologies;

vi.   Report on progress against IFAD9 efficiency targets; and

vii. Liaise with the Executive Board to explore opportunities to reduce costs associated with the operation of IFAD's governing bodies.[2]

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[2] See *Report on the Consultation on the Ninth Replenishment of IFAD's Resources.*

Indicator	Definition	Explanation/Remarks	Management Comments
I. Impact Efficiency	POW/Number of rural poor moved out of poverty	**Ex-ante**, based on rolling cohort of 50 most recently approved projects **Ex-post** indicator could be added in time Based on RMF 2.3.1	IFAD needs to work on the methodology to work on this indicator. The cohort should consist of all projects approved in a year (about 35) to avoid any arbitrary decision.
II. Reach Efficiency	Disbursement/number of rural poor reached	**Ex-post**	This is possible to measure within the existing monitoring system (RIMS & LGS).
III. Country programme outcome efficiency - Overall	Per cent of COSOPs rated satisfactory or better Based on RMF 4.1.1	**Ex-ante** from COSOP at entry, **Current** from COSOP Status Reports (new), **Ex-post** from CPEs	The current CPIS which also includes current COSOP assesses performance to 5 areas. This should be sufficient. While CPEs continuing assessing COSOP performance is fine, the sample size in grossly inadequate (2-4/year) to present a portfolio-wide assessment.
IV. Country programme outcome efficiency - Scaling up	Per cent of COSOPs rated satisfactory or better with respect to scaling up	New, Ex-ante, current and Ex-post as above	Methodological issue in using CPEs, as above.
V. Partnership Efficiency/Co-financing Efficiency	Co-financing Ratio	RMF 4.6.1	Existing metrics.
VI. Institutional Efficiency	Ratio of administrative expenditure (including from fees) to a 'weighted' number of programme outputs	New, based on the fact that costs relate more to number of outputs than to related US$ value	This will incentivise numerous low value outputs which will encourage inefficiency than efficiency. IFAD needs to aim for better scale of economies to the extent possible while remaining within its mandate. It goes against the basic finding of the evaluation (para 188, Appendix I)

Indicator	Definition	Explanation/Remarks	Management Comments
VII. Institutional Efficiency II	Ratio of administrative expenditure (including from fees) to POLG augmented by the value of programmes and projects managed by IFAD but funded by others	RMF 5.4.5, **ex-ante** based on Plan and budget and **ex-post** based on actuals	This was meant to be ex-post. So ex-ante is additional. Adds little or no value in view of existing RMF 5.4 viz. improved administrative efficiency.
VIII. Unit Direct Costs of Programme Outputs	Cost/output for each output category in course of year	**Ex-ante** based on Plan and budget, **ex-post** based on actual; needs TRS to be in place	This indicator would not work without a reliable outputs obtained from Time recording system. In addition, contextual variation makes making comparisons/establishing benchmarks difficult. Overall, value addition will be little as the link to outcomes/ impact is also very tenuous.
IX. IFAD Performance	Per cent of Projects for which IFAD performance is rated satisfactory or better	**Ex-ante** QAE, **Current** from PSR/ARPP, **Ex-post** from ARRI	Ex-ante Q@E assessment would be very unreliable. Currently is assessed in PCRs which ARRI also uses. This should be adequate. The change of scale (from 4 to 5) is against the practices of IFIs.
X. Country Presence (ICO) Efficiency	Ratio of Per cent contribution of ICOs to PMD output to per cent PMD budget allocated to ICOs		As ICOs are integral part of the country programme they are involved in many processes and segregating their contribution is extremely difficult, if not impossible. Also, measuring performance at output level is not always desirable.
XI. Share of Budget to each cluster		RMF 5.4.2, **ex-ante** based on Plan and budget and **ex-post** based on actual expenditures	It adds also ex-post. Doable: value addition is low.

Indicator	Definition	Explanation/Remarks	Management Comments
XII. Ratio of Actual GS costs to total staff costs		RMF 5.4.8	Existing metrics.