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to overcome poverty

Comments of the Senior Independent Advisor on IFAD's Direct Supervision and Implementation Support Policy

Corporate-level Evaluation

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For: Review

IFAD's Direct Supervision and Implementation Support Policy
Comments of the Senior Independent Advisor
Mr Johannes F. Linn - 17 June 2013

I. Introduction

1. IFAD's introduction of direct supervision and implementation support undoubtedly represents one of the most significant changes in its operational business model since its inception. This change turned IFAD from what was originally envisaged as a simple pass-through financial mechanism to a fully-fledged operating financial institution. This step was a central component of IFAD's efforts to increase its development effectiveness, following the 2004 Independent External Evaluation. Therefore, this corporate-level evaluation (CLE) represents an important step in accountability and learning for IFAD.

2. These comments address, first, the evaluation framework, process and report; second, the conclusions reached by the evaluation regarding the results of the direct supervision and implementation support policy; third, the recommendations of the evaluation; and finally some more general observations about the findings of this CLE.

II. Evaluation approach

3. The analytical framework adopted for this CLE is well suited for the topic. The evaluation appropriately disentangles important aspects of the new operational model by separately assessing the policy for direct supervision and implementation support on the one hand and its application in operational practice on the other, and by distinguishing between application at the project and at the country program level.

4. The information and database for the report is comprehensive, with multiple avenues for triangulation among different sources of data and observation. Of particular interest is the benchmarking analysis, in which IFAD's approach and experience with supervision and implementation support is compared with that of other international financial institutions. IFAD's IOE is to be commended for systematically considering benchmarks in its evaluations; this remains an exception in the evaluation practice of international development institutions.

5. The evaluation process was very thorough, consisting of five phases, starting with the preparation of a synthesis report and ending with the preparation of the report, which was then reviewed and discussed in various internal forums and learning events that provided ample opportunity for constructive exchange between the evaluation team, the Evaluation Committee, management and staff. As the independent external adviser I had multiple interactions with the evaluation team, reviewed prior draft reports and participated in the March 2013 Learning Workshop. My comments were substantially reflected in the report.

6. The final report provides a comprehensive, thoughtful and articulate assessment of the introduction of and progress with the direct supervision and implementation support policy. Its effort to separate what it calls "summative" from "formative" analysis, i.e., backward looking evaluation and forward looking assessment of areas for improvement, results in an excellent balance between the accountability and learning purposes of the CLE.

7. In paragraphs 33 and 34 the final report forthrightly addresses some of the limitations of this CLE exercise, including data availability, absence of a self-evaluation, difficulties in attribution, etc. One might have added a reference to two important data limitations: first, the absence of time reporting by IFAD staff (which

the report mentions later on) makes it impossible to assess accurately the full cost of supervision and implementation support; second, the stakeholder survey reflects only 11 respondents from recipient governments and none from any non-governmental stakeholders, which means that very little weight is given to voices from others than IFAD and project unit staff directly involved in project and program management.

III. Conclusions of the CLE

A. Overall assessment

8. The overall assessment by the CLE of the supervision and implementation support policy is positive with a summary rating of the current policy and practice as "Satisfactory." In addition the final report notes in para. 218: "Looking backward as a summative evaluation, the CLE acknowledges that in a very short time IFAD has moved to a level and quality of SIS activities which is comparable to other IFIs that have been doing this for many years." Indeed, as the CLE report points out, in some respects IFAD's supervision and implementation work is more effective than that of other IFIs (e.g., in regard to the low disconnect between supervision ratings of projects and ratings at completion, and as regards knowledge sharing, annual portfolio review process, etc.).

9. This is a remarkable achievement. It is due to a single-minded and effective pursuit of an ambitious agenda of institutional change by IFAD's operational management. Therefore, the performance of IFAD in managing the introduction of this fundamental change in operational modality, if considered separately from the current status of the supervision practice, would in my view have been appropriately rated as "Highly Satisfactory." Management may wish to use this example of the successful strategy of managing institutions change as a model for future efforts of internal reform (e.g., in pursuing the scaling up agenda).

B. Areas for possible improvement

10. Based on its "formative" analysis the report flags a number of areas in which direct supervision and implementation support could be strengthened. The most important from this observer's perspective include the following:

- **Scaling up.** The CLE points out that scaling up has so far not been a concern for supervision and implementation support, since IFAD's focus on the scaling up agenda is of relatively recent vintage. The report rightly emphasizes that supervision and implementation support must play a very significant role in any scaling up effort by IFAD. The report also notes Management's intention to update the supervision guidelines in 2014 to reflect the scaling up objective. It might be appropriate to issue some interim guidance to operational staff to encourage them to pursue this agenda effectively during supervision even before the updating of the formal guidelines.

- **Monitoring and evaluation.** M&E data in principle should provide key inputs into the supervision and implementation support process. Unfortunately, for IFAD, as for most other aid agencies, project-level M&E are weak. One key reason is that all costs of M&E are borne by the project budget, while many of its benefits are "external" to the project, i.e., the information and lessons from M&E benefit future projects or similar projects elsewhere. If and when scaling up becomes a major focus of IFAD's operational work, this will hopefully change since the project team will then count as benefit impacts beyond the immediate project horizon. In any case, IFAD should redouble its efforts to improve M&E in cooperation with its implementing partners. This would also contribute to enhanced quality of supervision.

- **Policy dialogue.** The CLE flags this as an area that presents an opportunity for IFAD to improve supervision and implementation support. However, expectations need to be kept realistic in view of IFAD's limited staff and

resource capacity, esp. when compared with other donor agencies. Partnering with other agencies may be one way to enhance this aspect of IFAD's operational work in general, and in the context of supervision in particular.

- **Knowledge management.** By its own account the report gives IFAD greater credit for better knowledge management and sharing in project management and supervision than is commonly done. This is encouraging, although in the absence of good M&E it is not clear on what information base knowledge is built.

- **Staffing issues.** The CLE report flags a number of staffing issues. Some of these are systemic (overworked CPMs, reliance on consultants, limited capacity in PTA, etc.), others more transitory in nature (new CO staff, training, etc.). Given budget constraints there are no likely easy solutions, especially for the former, but the CLE report has some useful suggestions for how to address these issues, including some that would result in cost savings.

- **Project implementation units and sustainability.** The report notes that IFAD works predominantly with specially set up project implementation units (PIUs), which terminate when IFAD's engagement ends, unless specific arrangements are made by the government to maintain them or mainstream their functions. The report credits IFAD's supervision efforts with paying substantial attention to the sustainability of projects beyond the project period late in the project life, presumably because of the need to ensure continuity of the institutional framework for implementation. The report also notes the importance of focusing on the need for developing institutional options beyond the IFAD-financed PIUs early on in project design and implementation and the need to plan pro-actively for institutional pathways beyond the PIUs. Under a scaling up approach this would be a required element of scaling up pathway design and implementation.

- **Partnerships with other donors.** The CLE report is pessimistic about the potential for partnerships between IFAD and other IFI. IFAD's recent partnership strategy document was less negative on this topic. The conclusion of the CLE deserves further exploration by the Board, Management and IOE, since partnerships with IFIs would appear to be one critical avenue for IFAD to pursue if it wants to support a number of important institutional goals (including effective supervision, KM, policy dialogue, and scaling up). The report points to a more positive track record of IFAD's partnership with bilateral donors and it suggests that greater field presence by IFAD will allow for more effective partnership building on the ground. However, since "it takes two to tango", IFAD may not be able on its own to build better bridges with the big IFIs, who appear to have a preference to go on their own or tend to disregard the concerns of the smaller partner (IFAD). There may be best practice examples on which IFAD and the IFIs can build, such as a joint portfolio review in India in 2011, which involved the government, IFAD and the World Bank.

- **Periodic versus continuous supervision.** The CLE rightly cautions about a radical switch to continuous supervision (para. 190 and Box 10). The arguments in favor of discrete supervision and implementation support in my view clearly outweigh those in favor of continuous supervision.

IV. Recommendations of the CLE

11. The CLE makes many very sensible recommendations for the Executive Board and Management to consider. The following deserve special attention:

- Use of grants for selective intensive supervision efforts;
- Moving from "project supervision" to annual "joint implementation review" of IFAD's country portfolio; giving enhanced attention to mid-term reviews;

- Greater senior management involvement in dialogue on systemic issues arising in the context of supervision;

- Greater involvement by government in supervision, a clear articulation of responsibilities between IFAD and government counterparts and a unified approach to paying for official participants;

- Systematic assessment of scaling up potential in supervision and implementation support;

- Strengthened M&E, esp. systematic requirement of baseline surveys;

- Budget-neutral improvements in the supervision process (greater engagement of PTA staff, greater length of missions, shorter and more focused reporting, more use of local consultants, cost-sharing with governments, etc.)

12. I am not convinced, however, that IFAD could or should take a significant role in supporting the development of national-level fiduciary capacity in recipient countries (as recommended in paras. 122 and 195). This is a big job that's better suited for the larger IFIs, esp. the World Bank and the regional development banks.

General observations

13. In conclusion, a few general observations occasioned by this CLE may be relevant for the IFAD's membership.

14. **From pass-through to operating institution.** The transition of IFAD from a pass-through to an operating institution may be indicative of a general tendency. Donors have a propensity to set up new "vertical funds" designed to act as pass-through mechanisms with implementation responsibility lodged with pre-existing multilateral or national institutions. However, as these funds mature, the pressures grow to have them turn into fully-fledged operational institutions. Aside from IFAD, the recent evolution of the Global Fund for AIDS, TB and Malaria is a case in point. In setting up additional vertical funds, donors should consider this likely trajectory and the unintended, but unavoidable further fragmentation in the aid architecture that results.

15. **Convergence to "moderately satisfactory".** The CLE notes that IFAD, along with other IFIs, seems to be afflicted by what has been called a "convergence to mediocrity" as reflected in the project performance ratings. (para. 215) The report also points to a number of factors that might help explain this trend, esp. the increasing complexity of project objectives and rising expectations among participants for what a project can and should achieve. It is understandable that aid institutions are expected to deliver increasingly complex outcomes at steadily improved ratings. But there is a serious risk that as a result all the attention of project management becomes focused on delivering the best possible project outcome, rather than on assembling the institutional and evidence base on which further replication and scaling up of successful project or project components can be built, not in the artificial context of a donor-managed and driven project, but in the standard institutional context facing developing countries. A more systematic focus on scaling up should help get the appropriate attention to these issues, but in the meantime I think it would be unfortunate if even greater incentives were put in place for improving narrowly defined project-specific outcomes at all costs.

16. **Project supervision versus implementation support.** The CLE points out that IFAD's policy distinguishes between supervision and implementation support, but that in fact there is no clear separation between these two concepts in theory or in practice in IFAD or in other IFIs. The CLE report appears to regard this as appropriate in general and does not systematically distinguish between the two in its assessment. However, in its recommendations the CLE proposes that a somewhat different line be drawn as follows: IFAD should take clear responsibility

for supervision of fiduciary aspects (esp. procurement and financial management), with the present practice of IFAD's fiduciary controls and loan processing being handled by a central unit (CFS) to be enhanced; at the same time, the government should take on a greater role in the other aspects of project supervision <u>and</u> implementation, with assistance from the IFAD country team. This distinction seems to me appropriate, since IFAD, like other IFIs, needs to assure an arms-length control over fiduciary aspects on behalf of its membership; for other aspects of project implementation, the separation of supervision and implementation support is less easily drawn and less relevant, and hence combining the two in effect would appear the right way to go.

17. **Use of benchmark information.** As noted earlier, IFAD's IOE appears to be unique in systematically considering the approach and experience of other development assistance in its evaluations. This is a practice IFAD's membership should encourage also in the evaluation offices of other aid institutions, multilateral and bilateral.