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Enabling poor rural people  
to overcome poverty

## **Comments of the Independent Office of Evaluation of IFAD on the Consolidated Action Plan to Enhance Operational and Institutional Efficiency**

### **Note to Evaluation Committee members**

#### Focal points:

#### Technical questions:

**Ashwani Muthoo**  
Acting Director  
Independent Office of Evaluation of IFAD  
Tel.: +39 06 5459 2053  
e-mail: a.muthoo@ifad.org

#### Dispatch of documentation:

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

Evaluation Committee — Seventy-eighth Session  
Rome, 5 September 2013

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For: **Review**

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## **Comments of the Independent Office of Evaluation of IFAD on the Consolidated Action Plan to Enhance Operational and Institutional Efficiency**

### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

**Ashwani Muthoo**  
Acting Director  
Independent Office of Evaluation of IFAD  
Tel.: +39 06 5459 2053  
e-mail: a.muthoo@ifad.org

#### Dispatch of documentation:

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

Executive Board — 109<sup>th</sup> Session  
Rome, 17-19 September 2013

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**For: Review**

# Comments by the Independent Office of Evaluation of IFAD on the Consolidated Action Plan to Enhance Operational and Institutional Efficiency

## I. Background

1. As a follow-up to the corporate-level evaluation on IFAD's institutional efficiency and efficiency of IFAD-funded operations (CLEE) by the Independent Office of Evaluation of IFAD (IOE), discussed by the Executive Board in April 2013, IFAD Management committed to developing a Consolidated Action Plan to Enhance Operational and Institutional Efficiency for presentation for the consideration of the Evaluation Committee and Executive Board in September 2013. The Executive Board requested that IOE prepare written comments on the proposed Action Plan for discussion by the Evaluation Committee and the Executive Board.

## II. General comment

2. IOE welcomes IFAD Management's ongoing attention to IFAD's overall efficiency, and recognizes that several actions are under way. The expeditious development of the Action Plan, which involved several IFAD organizational units, is a reflection of the Fund's commitment to improve efficiency, taking into account the perspective of its staff.
3. The CLEE concluded that scaled-up impact is the key to long-term efficiency, which in turn depends upon IFAD supporting high-quality projects and programmes with demonstrated impact. The CLEE recognized that IFAD's challenging mandate, combined with factors beyond its control, made it inevitable that some IFAD-supported initiatives would not be successful. However, lack of success should not be due to failure by IFAD to do its own job well. The CLEE notes that, despite improvements in recent years, IFAD's performance is predominantly moderately satisfactory, which could limit opportunities for scaling up successful innovations promoted by IFAD-supported projects and programmes through partner resources. Therefore, progress on IFAD's own performance is an important area needing close monitoring in the future.
4. Understandably, the CLEE recommendations to enhance the efficiency of IFAD governing bodies have not been included in the Action Plan as they are under further discussion by the Evaluation Committee. In this regard, IFAD Management is preparing a matrix of all CLEE recommendations for discussion at the seventy-eighth session of the Evaluation Committee. It is proposed that once finalized, this matrix be included in the Action Plan (possibly as an annex), to ensure that there is one consolidated document containing all of the actions planned for enhancing IFAD's efficiency.

## III. Comments on specific action proposals

5. The plan presents a wide range of actions organized around six (of the seven)<sup>1</sup> primary recommendations of the CLEE. The comments of IOE presented hereinbelow follow the same sequence as the Action Plan recommendations. No comments are made on specific actions with which IOE agrees.

**CLEE recommendation 1: Scaling up of high-impact, innovative approaches emerging out of IFAD-supported projects and programmes should become the objective of IFAD's business model**

6. **Thematic selectivity.** The CLEE and several recent country programme evaluations reveal that IFAD operations are often spread across too many

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<sup>1</sup> The Action Plan does not address the recommendations related to the IFAD governing bodies (recommendation 6).

subsectors,<sup>2</sup> which is undermining efficiency, impact and sustainability. The broad thematic coverage tends to be countrywide, which, inter alia, poses challenges in terms of supervision and implementation support, policy dialogue, monitoring and evaluation, and reporting. If IFAD is to develop the minimum critical mass of expertise needed for high-quality programmes, it must be selective and make more proactive efforts with regard to partnerships and division of labour with other partners.

7. **Increase in-house technical expertise and rationalize the use of consultants.** The efforts outlined in paragraph 12 of the Action Plan go in the right direction towards enhancing the organization's internal technical skills. However, no indication is given of the number of technical staff to be hired and it is not possible to gauge the extent to which key IFAD field missions would benefit from the input of technical staff. A budget is specified for the additional staff to be allocated to the Policy and Technical Advisory Division (PTA), but greater detail is needed with regard to the numbers and type of specialist staff to be hired for PTA, recruitment of local staff and the extent to which these actions would meet the need for consultants in IFAD.
8. **Balance the workload among country programme managers (CPMs).** The Action Plan acknowledges that there is scope for achieving a more balanced workload among CPMs and commits to monitoring CPMs' workload more closely and to redistributing duties as necessary. However, one of the most effective instruments to monitor the workload of CPMs would be a time-recording system, as per the commitment made under the Consultation on the Ninth Replenishment of IFAD's Resources (IFAD9). The Action Plan mentions multiple ways of monitoring CPM workload, however time recording is not mentioned.
9. **Implement a more differentiated allocation of resources and increase customization to country needs.** Management's efforts to develop and implement more responsive instruments for middle-income countries (MICs) is a step in the right direction, as evaluations are increasingly finding that IFAD cannot continue with business as usual in such countries. In this regard, as requested by the Evaluation Committee, IOE will prepare in the first half of 2014 a synthesis evaluation report on IFAD's engagement in MICs. The Action Plan does not address the related need to adjust the PBAS guidelines to promote higher cost-sharing by richer countries.
10. **Aim for better integration between lending and non-lending activities.** IOE welcomes efforts to ensure more coherent and integrated country programmes, which will address a recurrent weakness found by several country programme evaluations. Reorientation of non-lending activities and grants is particularly important in this regard. The proposed revision of the guidelines for results-based country strategic opportunities programmes (COSOPs) is timely and will contribute towards achieving this objective. The CLEE states that it is important that COSOP completion reviews are undertaken at the end of each COSOP period, which would further align IFAD's self-evaluation system with those of other international financial institutions and contribute to enhancing the efficiency of IFAD's overall evaluation system.

**CLEE recommendation 2: Articulate and implement a clear vision for country presence and how IFAD would operate in a decentralized environment**

11. IOE welcomes the proposed review of country presence vision and strategy. However, the Action Plan should also indicate the nature of this review and mention a key objective of the CLEE recommendation, i.e. the need to clarify how operational relationships and responsibilities will change with the outposting of

<sup>2</sup> The Kenya country programme evaluation (CPE) (2011) found that IFAD investments were covering more than 10 subsectors in the country. The Indonesia CPE (2012-2013) came up with a similar finding.

CPMs and the inevitability of a shift in decision-making to the field. The vision for country presence should address changes in accountability between headquarters and country offices; the decision-making authority of CPMs, country programme officers and regional directors for different aspects of operations; the role of national staff; and the flow of knowledge among country offices and regional divisions. Finally, in line with the IFAD Evaluation Policy, the revised IFAD Country Presence Vision and Strategy Paper should be accompanied by IOE's comments thereon for consideration by the Evaluation Committee and the Executive Board.

**CLEE recommendation 3: Manage oversight and support units, including critical ICT [Information and Communications Technology Division] functions, with a clear focus on increasing service quality and cost-efficiency**

12. The Action Plan includes a number of actions to streamline major administrative processes in line with the CLEE recommendations. However, with the exception of ICT, the actions are mostly focused on monitoring and reduction of process costs. There are no specific actions planned to develop an overall strategy. Such a strategy would include the following elements: improving service quality, reducing staff costs and increasing managerial accountability for efficiency improvements. With regard to the latter, the planned development of key business process efficiency indicators and benchmarks (Action Plan, paragraph 33) should be directed at strengthening accountability of oversight and support (O&S) managers for efficiency improvements. In light of the above, the planned actions are not sufficient to implement the following CLEE recommendations (CLEE paragraph 197):
- Develop and implement a clearly articulated strategy that focuses on the quality and cost-efficiency of O&S services, which would ensure a more efficient outcome for the organization and not necessarily the cheapest level of O&S service.
  - Actions are needed to reform corporate business processes, reduce staff costs and increase managerial accountability for efficiency improvements.

**CLEE recommendation 4: Better manage scarce budgetary resources towards high-quality results**

13. IOE welcomes Management's decision to appoint a Director, Budget and Organizational Development Unit (BOD) to strengthen the capacity of the budget function, transfer additional staff to the unit and have the unit report to the Vice-President. This reflects the importance placed on improving budget processes in general. IOE believes that the effectiveness and efficiency of the corporate budget function would be further enhanced by locating additional staff with the required seniority in BOD, and providing opportunities for progression, as recommended by the CLEE (see paragraph 198). Moreover, IOE supports Management's plans to continue more rigorous midyear budget reviews and consider introducing automated quarterly budget monitoring, as these actions would enhance budget execution and efficiency.
14. There are some CLEE recommendations aimed at improving results-based budgeting that are not captured in the Action Plan but need to be addressed. These include: (i) ensuring that allocation of budgets is more clearly guided by the Strategic Framework 2011-2015 and results measurement framework and using the medium-term plan to provide specific guidance on strategic selectivity; (ii) ensuring that actual results achieved – as reported through the Annual Report of the Results and Impact of IFAD Operations (ARRI) and the Report on IFAD's Development Effectiveness (RIDE) – and different country contexts are two further aspects informing budget allocations across regional divisions and country programmes; (iii) recognizing that the strategic budgeting process will require greater autonomy of budget management and accountability for results at the

departmental and divisional levels; and (iv) addressing the need to introduce modern budget information systems. In particular, regarding the need for modern budget information systems, the CLEE noted that the implementation of a time-recording system – which was among Management’s key commitments under IFAD9 (CLEE paragraph 140) – would enhance efficiency.

**CLEE recommendation 5: Manage strategically the skills composition, cost and performance of the workforce**

15. The Action Plan addresses the two main prongs of the CLEE recommendations: sustaining efforts to manage staffing strategically and attempting to improve workforce performance. IOE notes that several important initiatives are under way, inter alia, the articulation of a coherent rotation process, strengthened and more transparent staff recruitment procedures and greater investment in staff development.
16. One important recommendation has not been addressed in the Action Plan. This relates to creating a more rigorous hiring process for consultants to ensure that higher-quality consultants are recruited, though IOE realizes some actions are being taken to improve consultant management (e.g. delegation of daily fee rates to division directors). This is a fundamental point given the relatively high reliance by IFAD on consultants as part of its overall workforce and given that the CLEE found several weaknesses in IFAD’s management of consultants in general.
17. There are two action steps listed for strengthening performance management: one relates to additional tools and the other to a new reward and recognition framework. Since the performance assessment system itself has already undergone extensive enhancement, it would appear that the reward framework is the principal new tool under consideration. IOE would like to note that the issue highlighted by the CLEE was not a lack of “tools”; it was a lack of resolve (and supporting culture) to use already available tools to differentiate performance. The CLEE also highlighted the heavily skewed distribution of performance ratings and the low number of unsatisfactory ratings.
18. Finally, with regard to the new reward and recognition framework, it would be useful if the Action Plan could specify how this would be funded and how enhanced financial reward mechanisms could be managed in a cost-neutral way.

**CLEE recommendation 7: Instil an institutional culture of accountability and performance, and strengthen reporting for results**

19. IOE recognizes the endeavours of the Action Plan to align its work on the accountability framework and delegation of authority with the CLEE recommendations (paragraphs 43-44). However, it might be worthwhile exploring ways to complete the planned revision of IFAD’s accountability framework before end-2014 to help build momentum around the change and reform efforts.
20. The Action Plan is silent on the CLEE’s recommendation for enhanced indicators on IFAD’s efficiency aimed at achieving a better balance between the implied incentives (currently focused on the output volume in numbers and financial commitments of standard projects) with the qualitative shifts in IFAD’s operational priorities, as recommended by the CLEE. The CLEE recommendation to “...measure the contribution of IFAD’s country offices to its work programme” is important in an environment of expanding country presence and needs to be taken into consideration. An essential tool in achieving this would be a time-recording system.

**IV. Cost and efficiency implications**

21. Management has included the indicative costs of the planned actions. These estimates add up to: (i) capital costs of US\$3.25 million; (ii) one-time adjustment costs of US\$2.65 million; and (iii) recurrent costs of US\$6.8 million. The bulk of the capital and one-time costs would be incurred in 2014-2015, at which time the

recurrent costs would begin. IOE has the following comments regarding these cost estimates:

- The basis for cost estimation is unclear, i.e. how the recurrent costs were calculated, and whether these would be staff or non-staff costs and how much staff time was implied. IOE is therefore not in a position to comment on the estimations.
- Out of the recurrent costs of US\$6.8 million, US\$4.5 million is shown (item 21 of the annex) as the cost of replacing the loans and grants system (LGS) with a modern web-enabled platform. IOE questions the inclusion of these costs in the Action Plan because the LGS project was already in the planning stage before the CLEE commenced, and therefore the implementation plans were not reviewed by the CLEE. Excluding this cost item from the recurrent costs would reduce the total estimated recurrent costs to US\$2.3 million.
- Out of the estimated one-time adjustment costs of US\$2.65 million, US\$1.75 million is shown (item 28 of the annex) as allocated to implementing the CLEE recommendation to "Prepare and submit for Board approval a review of IFAD's Country Presence Policy and Strategy." It is not clear why such a review would cost as much as US\$1.75 million. From the description of this cost, "one-time adjustment cost of setting up and administering ICOs [IFAD country offices]," it appears that significantly more actions are planned than envisaged by the CLEE recommendation. The note to the matrix below paragraph 28 of the Action Plan spells out the proposed adjustments/examples, and in the column "Timeline and indicative cost" the matrix summarizes the costs as "US\$1.75 million one-time adjustment cost for setting up and administering ICOs". In this regard, the CLEE recommendation was to clarify the vision of country presence, even though IOE recognizes that adjustments might be required thereafter. Excluding this cost item from the one-time adjustment cost would reduce the total estimated adjustment cost to US\$0.9 million.
- Most importantly, with one exception (item 3 of the annex), the Action Plan could further underline the potential efficiency gains to be derived from implementing a number of CLEE recommendations, for example: better aligning IFAD's country programmes and corresponding budgets with the differing country contexts and requirements (part of recommendation 1 but not addressed in the Action Plan); balancing the workload among CPMs; realizing countervailing savings at headquarters from decentralization (part of recommendation 2 but not addressed in the Action Plan); improving the business process (items 29-32 of the annex); investing in ICT (items 33-39 of the annex); and adjusting the staff cost structure (part of recommendation 5 but not addressed in the Action Plan). Even in the one case cited above (item 3), where Management expects to achieve long-term efficiency gains beginning early 2014, the cost impact of the gain is not quantified.

## V. Conclusion

22. IOE concludes that the Action Plan, in its current formulation, is responsive to many aspects of the CLEE recommendations, and that Management is taking important steps forward to enhance efficiency. The Action Plan could be strengthened further in order to deliver the desired gains in efficiency and, importantly, in scaled-up impact. The CLEE pointed to a number of opportunities for efficiency gains and reallocation, including through strategic selectivity, improved management of IFAD's human resources and costs, and streamlining of IFAD's institutional and operational processes. While the Action Plan points to additional costs of individual recommendations in a number of areas, it does not systematically address opportunities for savings and efficiency gains.