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Response of IFAD Management to the corporate-level evaluation on IFAD's decentralization experience

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Note to Executive Board representatives

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Executive Board — 119th Session
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For: Review

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Response of IFAD Management to the corporate-level evaluation on IFAD's decentralization experience

A. Introduction

1. Management welcomes the final report of the Corporate-level evaluation of IFAD's decentralization experience, and commends the Independent Office of Evaluation of IFAD (IOE) for producing this evaluation in time for it to inform the IFAD Corporate Decentralization Plan for the Tenth Replenishment of IFAD's Resources (IFAD10) and beyond. The plan will be a major pillar of IFAD's evolving business model to deliver on the objectives of the Strategic Framework 2016-2025.
2. This evaluation is a good example of fruitful collaboration between IOE and Management, with IFAD staff playing an essential role in the consultation process, particularly IFAD Country Office (ICO) staff. This provided Management with useful insights for a corporate reflection on lessons learned from IFAD's country presence experience and for the definition of the plan's main elements.
3. Management is pleased to note the satisfactory assessment of the contribution of IFAD's decentralization to strategy, programme management and project performance in terms of improved strategy preparation and supervision, and to enhanced implementation support and project performance. It also appreciates the recognition of the Field Support Unit's (FSU) efforts to ensure effective service delivery to ICOs and to their staff. These results corroborate Management's self-assessment, which indicates a pattern of improvement in project efficiency and effectiveness due to decentralization.
4. Notwithstanding the above, in order to reap the full benefits of decentralization, a more coherent framework is now needed, which draws on the most successful features from across the organization and on the lessons learned throughout the years. Building on the main findings and recommendations of the corporate-level evaluation (CLE), the plan will guide Management and staff in the implementation of the next phase of IFAD's decentralization.
5. Finally, Management notes that although efforts were made to consult documentation on the decentralization experiences of other international organizations, the recommendations would have benefited from a deeper and more systematic analysis, customized to IFAD's mandate, size and resources, of a few select experiences. This is particularly true for some areas where shortcomings were identified but only partial, non-customized solutions were recommended, for example for the delivery of non-lending activities (NLAs).

B. Clarifications

6. Management notes that while the overall thrust of the CLE captures the main issues and challenges of decentralization, some key areas have not been accurately assessed. This section presents some clarifications to complement the content of the report.
7. Context of IFAD's decentralization. The CLE omits important information that would have contextualized IFAD's decentralization and provided a better understanding of its relevance. It is worth recalling that the decentralization process took place within a relatively short period and brought about a dramatic transformation of IFAD's business model. In 2006 – just 10 years ago – IFAD moved away from the cooperating institution model to carry out direct supervision and implementation support of its projects. Since then, its pilot field presence has rapidly evolved into a more structured country presence, which was formalized five years ago with the first IFAD Country Presence Policy and Strategy (2011). Today IFAD has more than 100 staff deployed in 40 ICOs,

covering close to 80 per cent of IFAD's portfolio and serving 77 countries. The ICOs have provided vital support in the delivery of an increasingly ambitious programme of loans and grants – which has more than doubled since 2006 – and in the supervision and implementation support of close to 250 projects per annum.

8. This transformation was achieved within a flat budget environment and against a backdrop of significant institutional reform. Since 2007, Management has been undertaking structural reforms, including the creation of new departments and divisions – for example, the Strategy and Knowledge Department (SKD), the Office of Budget and Organizational Development and the Office of Partnership and Resource Mobilization – and has been strengthening policy and technical competencies in the Policy and Technical Advisory Division (PTA) with a view to defining more clearly back-up functions at headquarters (HQ). IFAD also set up a FSU specifically to respond to the growing needs of ICOs and their staff.
9. Information and communications technology, human resources and administrative services. The CLE highlights important areas for improvement of services to ICOs and ICO staff, which are critical for the delivery of IFAD's programme in the field. Management notes that the evaluation has not taken into consideration many significant initiatives already implemented or ongoing in the delivery of IT, human resources and administrative services, despite earlier comments by Management. Under the coordination of the FSU, substantial changes in these areas have been pivotal in the major organizational shift from a HQ-centred business model with narrow country presence to the current HQ-field blended operational strategy.
10. Communications. While there are numerous references to communications matters in the report, Management wishes to note that the management team of IFAD's Communications Division was not consulted during the CLE process. As a result, the CLE report is not sufficiently informed by an understanding of what communication work involves, and underestimates the criticality of the function to maintaining the Fund's standing with its Member States.
11. Non-lending activities. Management recognizes the clear gains for IFAD stemming from NLAs, in terms of both visibility and reputation, and increased development impact. However, these activities should not be perceived as specific to IFAD's model of decentralization. More needs to be done to address NLAs through an institutional solution through clearer definitions, responsibilities, objectives, incentives and expectations that can be achieved with the resources that are available. However, it should be noted that many activities described as NLAs are so embedded in or linked to IFAD-supported projects that it is difficult to clearly distinguish them from lending activities.
12. Inaccuracies. Management notes that the final CLE report contains many inaccuracies that were not corrected despite Management's comments. As an example, the number of operational ICOs is 40 and not 39, including the Yemen ICO, which is only temporarily closed due to the suspension of the portfolio.

C. Recommendations to Management

13. Overall, Management agrees with the recommendations and these will be implemented through the plan and its accompanying steps.
14. Management appreciates that, following earlier comments, IOE has attempted to disaggregate the recommendations into discrete actions although in some cases further disaggregation is required to facilitate uptake and monitoring. A detailed response to each recommended action is provided in the table below.

Recommendation 1 – Consolidate IFAD’s country presence while enhancing cost-efficiency

	<i>Management response</i>
1(a) Reorganize ICOs around hubs; carry out functional analysis to guide establishment of hubs; be ready to close ICOs.	<p>Agreed.</p> <p>Over the years, Management has progressively recognized the importance of the concept of subregional hubs as a cost-effective approach to project supervision and provision of services to clients.</p> <p>The Corporate Decentralization Plan, building on IOE’s recommendation and on the experiences of the first hubs (in Guatemala, Viet Nam and Kenya), foresees the establishment of more hubs by the end of IFAD11. The hubs will be service centres with technical and other staff who serve all or part of a region, including other ICOs, and carry out pooled country programme functions for a group of countries. The principle of pooling staff is also a characteristic of the second ICO model – the country programme group.</p> <p>Location and country coverage of each hub will be decided following careful consideration of a country’s geographical position, ICO facilities, security, host country agreements, etc. However, as recommended by the CLE, a functional analysis will be carried out to fine-tune, as relevant, the proposed configuration.</p> <p>Through the plan, Management intends to consolidate and streamline IFAD’s current country presence. Only four new offices will be opened (as part of a hub or group), and the closure of offices that are no longer justified is also contemplated. The number of ICOs will eventually stabilize at around 45.</p>
1(b) Carry out functional analysis to rebalance staffing levels between HQ and the field.	<p>Agreed.</p> <p>Management concurs with IOE that while decentralization cannot be cost-neutral, cost-savings measures to generate efficiencies should complement the decentralization process. In this regard, the plan will be accompanied by measures aimed at streamlining the overlapping of functions in HQ.</p> <p>The plan foresees a shift, over time, in the functions of programme assistants towards more supervisory and liaison functions to support ICO administrative staff. This will entail a reduction in the number of programme assistants, which will bring about cost-savings. Professional staff functions will also need to be rebalanced, in light of the recruitment of additional Professional staff in the hubs. A functional analysis will be carried out to identify further options to guide Management’s decisions in this regard.</p> <p>Management wishes to note that the share of regional staff in the field – currently 49 per cent – is expected to increase, as a growing number of country programme managers (CPMs) and country programme officers (CPOs) are being outposted/recruited in the field, and technical and fiduciary staff will be recruited/outposted to the hubs to create a critical mass in the field.</p>
1(c) Consider further decentralization of other functions (such as financial management).	<p>Agreed.</p> <p>With regard to financial management, the plan foresees the presence of one national staff member in each of the hubs. Discussions are ongoing between Programme Management Department (PMD) and the Financial Management Services Division (FMD) to pilot the concept of progressive decentralization of FMD. If successful, this would be rolled out to other hubs.</p>

Recommendation 2 – Increase support for non-lending activities through decentralization to achieve stronger development results

	<i>Management response</i>
2(a) Differentiate non-lending agendas and expectations by type of ICO.	<p>Agreed.</p> <p>Management agrees that the results expected from NLAs will depend on the ICO model. Expectations in terms of policy engagement and partnerships strengthening, for instance, cannot be the same for a CPO as for a country director, particularly in cases where the CPO is the only professional staff member in the ICO. The type of NLAs carried out will be determined by the specific circumstances and opportunities in individual countries.</p> <p>Clarifying both corporate expectations with regard to NLAs, and roles and responsibilities of programme staff, will ultimately result in more realistic agendas for NLAs. The plan attempts to achieve a clearer division of labour with respect to NLAs, to best utilize the respective expertise of international and national staff.</p> <p>In hubs and groups, international staff will focus on NLAs, representation, project design and office management, while national staff will focus more on project supervision and implementation support, sharing their capacity and knowledge across countries covered by the hub. Programme staff in single ICOs and in HQ will focus on project supervision and implementation support and will not be expected to prioritize NLAs. Single ICO staff lack the resources to undertake the broad array of NLAs and staff in HQ do not have the proximity to clients to take on regular partnership and policy commitments, and are also expected to cover corporate responsibilities while in HQ.</p>

<p>2(b) Dedicated budget line for NLAs in ICOs; Enhance collaboration and synergy between PTA, SKD and ICOs; strengthen linkages between country programmes and the grant programme.</p>	<p>Agreed.</p> <p>Management agrees with the recommended measure, however it believes that it applies to both HQ and ICOs. Management concurs with IOE that a dedicated budget line should be made available to country teams to facilitate NLAs, in both HQ and the field. Similarly, while collaboration between ICOs, PTA and SKD could be enhanced, this should also involve HQ-based PMD staff, including the regional economists.</p> <p>While both country and regional grants are already being utilized to promote knowledge management and/or policy engagement, there will be a greater effort to ensure a wider use of grants to fund NLAs. However, Management will continue to maintain the right balance between the allocations for regional and country windows and ensure that this reflects the needs expressed by regional divisions.</p>
<p>2(c) Include skills and professional experience in non-lending activities as criteria for staff recruitment in country offices.</p>	<p>Agreed.</p> <p>Management agrees that professional experience in NLAs could be added as a criterion for recruiting ICO-based CPMs. Consideration will be given to including “experience in knowledge management, partnerships-building and policy engagement” in the job description of country director.</p> <p>Nonetheless, Management would like to underscore that the bottleneck in the delivery of non-lending services is largely caused by the lack of dedicated resources rather than insufficient skills and experience. As stated earlier, Management believes that responsibility for NLAs should not rest solely with CPMs. These activities should be undertaken as a combined effort by the regional divisions and other concerned departments and divisions.</p>

Recommendation 3 – Enhance delegation of authority

	<i>Management response</i>
<p>3(a) Based on an assessment of the pilot in Viet Nam, prepare a plan for delegating further budget-holding authority to country directors.</p>	<p>Agreed.</p> <p>Management concurs with the recommendation for further delegation of administrative/budget authority to ICOs. The results of the decentralized budget pilot to the Viet Nam ICO will be carefully assessed to inform Management’s decision on replication to other hubs.</p> <p>Next steps would be: (i) training ICO staff to ensure that financial management, local procurement and accounting functions are correctly performed; and (ii) assessing the possibility of fully integrating the PeopleSoft system to ensure adequate internal control systems are in place for dealing with financial commitments in a decentralized ICO or hub.</p>
<p>3(b) Define a framework for further delegation of communication authority, as well as for establishing knowledge platforms.</p>	<p>Agreed.</p> <p>Management agrees with the principle of the recommended measure, but with some caveats.</p> <p>The Strategic Framework 2016-2025 calls for increased investment in strategic communications, recognizing that communication is crucial to operations. Management is committed to pursuing strategic, cost-effective communications to raise IFAD’s profile at project, country, regional and global levels.</p> <p>Greater decentralization will call for increased communications activity, and opportunities across IFAD but with increased risk of fragmentation of the brand and messages. Management intends to continue building a cohesive communications environment at IFAD.</p> <p>NLAs require a higher level of communication skills, and Management is planning measures so that operational staff acquire baseline abilities, to communicate effectively in carrying out their responsibilities and better manage communication resources.</p> <p>The experience of comparators (Food and Agriculture Organization of the United Nations, United Nations Development Programme, World Food Programme, World Bank) shows that country-level communications must be managed by communication professionals. Given the demand placed on the Communications Division by ICOs for professional communication support, Management will explore the feasibility of expanding the staff complement in hubs to include professional communication officers.</p> <p>While Management recognizes the existence of good knowledge-sharing platforms, mostly created under the initiative of regional divisions, these could be improved to better serve their purpose. Management will step up ongoing efforts to ensure that the knowledge generated is properly packaged and shared in-house and with clients, and to identify the right channels for that dissemination.</p>

Recommendation 4 – Enhance staff incentives and capacity to operate in a decentralized environment

	<i>Management response</i>
<p>4(a) Strengthen incentives for outposted staff.</p>	<p>Agreed.</p> <p>IFAD incentives to outposted staff are aligned with the United Nations Common System of Salaries, Allowances and Benefits, which foresees a number of entitlements for staff serving in</p>

	<p>field duty stations: i.e. payment of hardship and non-family allowances, additional rental subsidy provisions, retention of former post-adjustment when the family does not relocate, a rest and recuperation scheme, payment of security enhancement costs for private residences, danger pay according to the security level, accelerated home leave under certain conditions, and additional education travel and shipment entitlements for staff in designated duty stations.</p> <p>Management has adopted the current framework of entitlements in full and, in 2012, further expanded it into a comprehensive incentive package for outposted CPMs, which provides for the payment of a special post allowance for all outposted CPMs and change of title to reflect the increased representational duties. This package is now under review, within the context of IFAD's evolving policy structure and in line with the Career Development Framework introduced in 2016. The review will take into consideration additional incentives related to career management, mobility and work-life balance.</p>
<p>4(b) Expand and better structure the orientation and mentoring programme.</p>	<p>Agreed.</p> <p>Management will step up its efforts in providing tailored capacity-building to ICO staff, with the CPM Academy complementing existing training. Learning needs for ICOs will continue to be identified on an annual basis by the IFAD corporate learning needs assessment. ICO staff will have priority in the allocation of the IFAD training budget.</p> <p>On procurement, the plan foresees the deployment of procurement officers to the hubs in support of the regional/subregional programmes. This will provide the necessary support to staff in charge of providing non-objections, and will complement ongoing efforts in capacity-building in project procurement.</p>
<p>4(c) Better career development for CPOs.</p>	<p>Agreed.</p> <p>Management concurs with the importance of the CPO function, and believes that continued staff and career development – particularly of national staff – is essential to support decentralization.</p> <p>As described in the plan, career opportunities for national staff are being enhanced within the mobility context. Based on the principle of staff pooling in hubs and groups, current opportunities for national staff to work in other countries and compete for international positions will be expanded. Existing training will be complemented with CPM Academy courses. Contractual arrangements will be examined to ensure that the most appropriate type of contract is adopted for ICOs.</p>

Recommendation 5 – Improve the quality of data, monitoring and self-assessment

	<p><i>Management response</i></p>
<p>5(a) Adjust the IFAD accounting system to monitor the cost of country programme management under different ICO configurations.</p>	<p>Agreed.</p> <p>Management welcomes the recommendation to allow for better costing of country programmes, as this will result in clear efficiency gains. A more transparent budget would allow for better performance monitoring of hosting agencies and implementation of service-level agreements, and better harmonization of costs across regions, etc. It would also ensure that expectations in terms of delivery of lending and non-lending activities are realistic with respect to the available budget, and allow a better assessment of the costs and benefits of decentralization in order to guide periodic revisions and adjustments to the plan as appropriate.</p> <p>Management concurs with the suggestion to enhance PeopleSoft modules to integrate the Excel files currently used to support budget and financial reporting by ICOs. This will increase efficiency and improve the timeliness of reporting of ICO costs. The creation of a cost centre per country office would facilitate monitoring and reporting functions.</p>
<p>5(b) Reduce number of indicators for ICO monitoring, revise their definition and integrate them in IFAD-wide management information systems and reporting.</p>	<p>Disagreed.</p> <p>Management believes that as IFAD increasingly delivers products and services with blended ICO-HQ teams and teams across ICOs, a separate monitoring framework for ICOs is becoming less relevant and relatively meaningless as a management tool. In fact, more than 80 per cent of IFAD's programmes are now covered by field offices. In line with other international financial institutions, Management will pursue monitoring and reporting on portfolio performance, including programmes covered by ICOs, in existing corporate reports such as the Report on IFAD's Development Effectiveness.</p>
<p>5(c) Revise periodically the Corporate Decentralization Plan and report to Executive Board.</p>	<p>Agreed.</p> <p>The plan will be implemented under the leadership and guidance of the Corporate Decentralization Coordination Group, which will recommend revisions to the Executive Board as appropriate. Reporting on the implementation of the plan will be undertaken through existing corporate reporting tools, as explained above.</p>