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Investing in rural people

## IFAD Corporate Decentralization Plan

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Evaluation Committee — Ninety-fifth Session  
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### Note to Executive Board representatives

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For: Review

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## Abbreviations and acronyms

|     |                                 |
|-----|---------------------------------|
| CLE | corporate-level evaluation      |
| CPM | country programme manager       |
| CSD | Corporate Services Department   |
| FSU | Field Support Unit              |
| ICO | IFAD Country Office             |
| NLA | non-lending activity            |
| PMD | Programme Management Department |

## Executive summary

1. Over the past decade, IFAD has made considerable progress in decentralizing human resource capacity and responsibilities, as seen in the steady growth of both the number of countries covered by IFAD Country Offices (ICOs) and the size of portfolio.
2. Management data show a strong and consistent pattern of improvement in project efficiency and effectiveness due to decentralization, suggesting that more country presence is generally better. This has been corroborated by the findings of the 2016 Corporate-level evaluation of IFAD's decentralization experience which document the contribution of decentralization to the improved relevance and overall performance of IFAD's operations. On non-lending activities (NLAs), the corporate-level evaluation (CLE) analysis reveals mixed results. Overall, partnerships have been strengthened through decentralization, and the benefits related to policy engagement and knowledge management are clearly evident in some countries, although they do not appear consistently across ICOs. However, while Management is aware of the need to further improve delivery of NLAs, this will require a corporate solution that goes beyond decentralization.
3. As a follow-up to the 2016 Update on IFAD's country presence, Management has prepared this IFAD Corporate Decentralization Plan for the Tenth Replenishment of IFAD's Resources (IFAD10) and beyond. The plan is aligned with IFAD's holistic approach to tailoring operations to country context and with the recommendations of the CLE on strengthening of country presence, better support to NLAs, decentralized decision-making and enhanced staff capacity.
4. Drawing on the most successful features of the decentralization experience across IFAD, the plan is aimed at consolidating the knowledge acquired over the years into a more coherent and harmonized approach. The plan includes three models for ICOs: (i) subregional hubs; (ii) country programme groups; and (iii) single ICOs. Subregional hubs will have technical and other staff and will act as service centres for all or part of a region and will carry out country programme functions for a smaller group of countries. Country programme groups will pool staff and knowledge for country programme purposes for a number of countries and programmes. Single ICOs will serve only one country; they are justified by the country's strategic importance and/or special circumstances that make their grouping with other countries difficult. Management of countries will be retained at IFAD headquarters in cases where the cost of running an ICO cannot be justified. The medium-term vision is to increase the grouping of country programmes under hubs and groups, significantly reduce single ICOs, and stabilize at a level of about 45 ICOs, which will manage nearly double that number of country programmes. This vision is aligned with the recommendations of the CLE.
5. Management will make every effort to maximize cost efficiencies during the implementation of the plan. The reduction of 10 General Service positions at headquarters (HQ) is under way to support and substantially increase ICO positions. Duplicated functions at HQ will be further streamlined, service-level agreements with hosting agencies may be trimmed and underutilized ICOs will be closed. These measures are expected to yield efficiencies of US\$2.4 million over the periods of IFAD10 and IFAD11. Despite these efforts, Management estimates that incremental costs will amount to US\$0.4 to US\$0.5 million per year. These costs primarily relate to expansion of office space and the additional staff needed to enhance technical and programme capacity in ICOs. The incremental costs are expected to stabilize by the end of the set time frame.
6. The implementation of the plan is expected to have a major positive impact on IFAD's operations, as it will consolidate the shift from a HQ-centric business model with narrow country presence to a blended operational strategy and presence for

HQ and the field. This is based on six guiding principles: (i) from quantity to quality, by consolidating and strengthening capacity in existing ICOs, with only a modest increase in the number of new offices; (ii) from a variety of experiences to harmonization, by adopting a more uniform approach across regions to reinforce a unified IFAD corporate identity; (iii) from light touch to critical mass, by establishing adequate technical and administrative capacity at the field level for greater impact; (iv) from silos to staff pooling, for the efficient use of IFAD's global workforce; (v) from overlapping to streamlined actions, by ensuring complementarity of functions between HQ and ICOs; and (vi) from limited to greater delegation of authority, to expedite implementation of actions in the field.

7. As part of the plan's initial implementation, the following critical actions will be carried out: (i) a thorough functional and workload analysis of all country programmes to inform distribution of ICO models; determine staffing needs, roles and responsibilities in country teams; prioritize of tasks and activities at ICO level; and further streamline duplicated functions at HQ; (ii) the assessment of the pilot delegation of budget authority in Viet Nam, to consider expanding the practice to other ICOs; and (iii) the development of a clearer corporate vision for non-lending and lending activities to enrich the effectiveness of decentralization.
8. The implementation of the plan and its actions require support from across IFAD. The Corporate Decentralization Coordination Group – co-chaired by the Associate Vice-President, Programme Management Department and the Associate Vice-President, Corporate Services Department – will ensure cross-divisional coordination and will supervise and provide strategic guidance for the planning, implementation and monitoring of the plan's activities.

# IFAD Corporate Decentralization Plan

## I. Introduction

1. IFAD is poised to move to the next phase of its decentralization. Drawing on earlier reports to the Executive Board on country presence and decentralization,<sup>1</sup> and as a follow-up to the update on IFAD's country presence (2016), Management has prepared the IFAD Corporate Decentralization Plan for the Tenth Replenishment of IFAD's Resources (IFAD10) period and beyond. The plan builds on the considerable progress made by IFAD in decentralizing human resource capacity and responsibilities since the decision in 2003 to establish a country presence, and will guide Management in implementing the next phase of decentralization. The plan is aligned with IFAD's holistic approach to tailoring operations to country context, and with the recommendations of the 2016 corporate-level evaluation (CLE) on IFAD's decentralization experience aimed at enhancing effectiveness and efficiency of IFAD's country presence.
2. Further strengthening of IFAD Country Offices and the devolution of greater responsibility to the field represent a transformation in the way that IFAD works. This will alter the way in which IFAD interacts with its clients and will require adjustments to internal business processes, including at headquarters (HQ). Indeed, effective decentralization requires a strong HQ that sets clear a strategic direction, policies and safeguards, and is able to maintain standards and quality while recognizing that IFAD can more effectively deliver its products and services to clients and respond to their needs by being closer to them. HQ will also play a stronger role in knowledge management: it will ensure widespread dissemination of information and ideas, which should improve qualitatively and quantitatively via inflows from IFAD Country Offices (ICOs). The plan is a part of these wider efforts.
3. The plan provides an overarching analysis of IFAD's decentralization and a framework of actions for IFAD10 and beyond. The evolution of IFAD's decentralization programme is outlined in section II, the current status of decentralization is provided in section III, and the framework of actions for IFAD10 and beyond is provided in section IV, including the optimal mix of ICO models to maximize operational coverage, and the required HQ-field staffing needs and related costs. Section V provides the conclusions and way forward.

## II. Evolution of IFAD's decentralization programme

4. From country presence to corporate decentralization. IFAD's country presence has evolved during the last decade from the limited objective of supporting IFAD's then newly assumed responsibility for direct supervision, to expanded operations of growing complexity and broader support for non-lending activities (NLAs) – such as policy engagement, knowledge management and partnership-building – all with the goal of scaling up overall results. In order to support the expansion of IFAD decentralization the objectives of ICO models have been adapted over time, in line with the “learning-by-doing” approach, with the creation of a regional office, subregional offices and single offices.
5. Staffing and service needs have expanded to support the broader range of institutional goals. With the growing demand and expanded institutional goals, IFAD workforce numbers in ICO have increased over the years, resulting in the need for timely field-driven administrative and technical service delivery. In 2013, IFAD established the Field Support Unit (FSU) to provide administrative support services to ICOs, in close collaboration with the Programme Management

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<sup>1</sup> Notably IFAD Country Presence Policy and Strategy (EB 2011/102/R.10), IFAD Country Presence Strategy: 2014-2015 (EB 2013/110/R.5).

Department (PMD), and has strengthened the unit's capacity in step with growing ICO needs. Since then, IFAD has also implemented a series of initiatives, such as updates to the human resources framework on staffing, career and capacity development, the delegation of authority framework, and revised policies and procedures to create a proper environment for decentralization.

6. As IFAD's country presence has expanded, the costs associated with decentralization have also risen. Throughout the country presence evolution, hosting arrangements with other United Nations agencies,<sup>2</sup> in most cases the Rome-based agencies, have helped IFAD successfully contain country office costs. However, while IFAD has managed to realize efficiencies over the years – as already indicated in the 2016 update – it is recognized that increased country presence does entail additional costs.
7. The benefits of ICOs have been well documented throughout the years, indicating that more country presence is better. It is clear both from comparator organizations' and IFAD's own experience that, over time, the benefits of additional decentralization outweigh the marginal costs of expanding field presence. These benefits are relatively easy to identify but more difficult to quantify. The overriding value comes through improved portfolio quality, better project design and supervision, faster implementation and procurement, and enhanced dialogue and knowledge to improve delivery of NLAs. Management portfolio data show a strong and consistent pattern of improvement in project efficiency and effectiveness due to decentralization (see annex II). This has been corroborated by the findings of the CLE, which document the contribution of decentralization to the improved relevance and overall performance of IFAD's operations. Some cost-savings are accruing over time. Other benefits, such as quality of dialogue, coordination and harmonization are intangible, but progress can still be tracked, for instance against the development effectiveness indicators of the Global Partnership for Effective Development Co-operation.
8. Qualitative evidence from country strategic opportunities programme results reviews, self-evaluations and independent evaluations, and dialogue with government officials point to strong client demand for increased field presence and involvement. This evidence is also consistent with the results of surveys by other major donors and partners. Clients prefer partners to be decentralized, as it brings faster access to those responsible for decisions at the country level, and improved overall responsiveness. According to a review of documents of other development partners, major donors acknowledge the usefulness of decentralization to the field in the following areas: (i) better understanding of local conditions; (ii) flexibility to align and harmonize policies; (iii) strengthened position of local representations in dialogue with national authorities and development partners; and (iv) rapid response to emerging needs, especially in fragile situations. As a result, a number of multilateral and bilateral donors have embarked on ambitious decentralization programmes in the past decade and their lessons inform this plan.
9. Management estimates that by the end of IFAD11 most of its major products and services will be planned, prepared and delivered at the country and subregional level. Thus programmatic and financial decision-making will increasingly be devolved to field offices. Encouraged by the above-mentioned benefits and by a growing programme of loans and grants that confirms demand for IFAD services, Management proposes this Corporate Decentralization Plan.

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<sup>2</sup> In some cases, also Consultative Group on International Agricultural Research centres.

### III. Current status of IFAD's decentralization

10. IFAD's decentralization has grown steadily, in both number of countries covered and size of overall portfolio, with staffing increasing at a somewhat slower pace. IFAD has made continuous progress in consolidating and expanding country presence. There are currently 40 IFAD ICOs in all, of which 25 per cent are located in countries with situations of fragility and 58 per cent are in Africa. Together, they serve a total of 77 countries, covering approximately 79 per cent of total IFAD financing. Staffing in ICOs has also increased significantly and now accounts for close to 49 per cent of PMD regional staff, although this is not commensurate with portfolio responsibilities.

Table 1  
**IFAD country presence 2007 – 2016**  
 (As at September 2016)

| Year | Number of ICOs | Countries served (of which fragile) | Percentage of value of portfolio (ongoing) | Outposted country programme managers | ICO staff (percentage of total regional division staff) |
|------|----------------|-------------------------------------|--|--------------------------------------|---|
| 2007 | 15 (pilots)    | 15 (4)                              | 14%  | 2                                    | 2%  |
| 2011 | 30             | 42 (9)                              | 59%  | 9                                    | 37%   |
| 2016 | 40             | 77 (17)                             | 79%  | 23                                   | 49%   |

Sources: Human Resources Division and Grants and Investment Projects System (GRIPS).

11. Delegating authority and additional functions to improve ICO efficiency is currently being piloted. Budget authority for local country office procurement of low-value goods currently rests with regional directors, but only in exceptional transactions has this been further delegated to ICO country programme managers (CPMs). The ongoing pilot in the Viet Nam ICO attempts to shift delegation of budget authority to the ICO CPM, whereby local bank accounts would be used for administrative expenses and transactions and linked directly to IFAD's financial systems. Decentralized travel ticketing through locally purchased tickets is in progress in many ICOs. All service-level agreements are currently being reviewed with a view to making them more standardized, and performance indicators will be included to improve service delivery. Other progress has been made, such as the issuing of the IFAD Country Presence Handbook to facilitate the smooth operation of ICOs. An ongoing media training programme has empowered ICO staff to act as spokespersons for IFAD, and work is being finalized to move towards submission of web content directly from the field.
12. Over the years, IFAD's evolving approaches to country presence have been useful, but decentralization now needs to be consolidated. Overall, the past decade of country presence experience has generated valuable knowledge and laid the foundation for consolidated decentralization around a small number of ICOs, while still allowing some flexibility to tailor operations to country contexts in specific circumstances.

### IV. Corporate Plan for IFAD10 and beyond

13. The objectives of IFAD's decentralization will remain the same. The overarching aim for IFAD was to "enable IFAD to play a more effective catalytic role and strengthen its impact". IFAD's country presence was expected to contribute to country results through implementation support resulting in improvements in portfolio efficiency as measured by improved procurement, financial management, and speed of disbursements. Over time, the programme has stressed the importance of country office staff participation in project design, supervision and implementation. Three other dimensions were added as expected benefits of decentralization, all of them focusing on NLAs: policy engagement, to improve country alignment and influence government policy (later including to increase

in-country visibility for IFAD), partnership development, to increase policy consistency across donors (later including to increase cofinancing), and knowledge management. Other objectives – such as innovation and scaling up, developing government capacity and facilitating South-South and triangular cooperation – were later included. These objectives will be maintained throughout the implementation of the plan, while ensuring that they are commensurate with the resources available.

14. The plan builds on key lessons learned and addresses current challenges. The criteria for opening, maintaining and closing ICOs will largely remain as originally articulated.<sup>3</sup> ICOs will also continue to rely on hosting by other agencies, whereby enhancing collaboration and knowledge-sharing, while ensuring cost-efficiency. However, going forward, regional approaches will be more uniform, promoting a more consistent and unified IFAD corporate identity. Unlike the rapid expansion of offices of the earlier phases, the next decentralization phase will upgrade and strengthen capacity in existing offices with only a modest increase in the number of new offices,<sup>4</sup> and may involve some office closures where ICO criteria are no longer being met. By the end of IFAD11, in concurrence with the CLE recommendation, IFAD will rebalance staffing by creating a field presence with greater critical mass and authority, and applying a parallel shift at HQ.
15. Allocation of additional staff to ICOs and a clearer delineation of roles will increase teamwork and pooling of staff will optimize use of resources across countries. Just as ICO duties have increased over time (to cover representational, lending and non-lending, and office management responsibilities), so has the workload of field staff. Both the CLE and various Management reports clearly point to the need for additional programme staff in the field.<sup>5</sup> In response, the plan makes provisions for CPMs to focus on the areas best suited to their comparative advantage and international expertise, and for a clearer division of labour within each ICO. In the context of the strategic workforce planning process, an adequate complement of country programme and administrative staff, including select technical and specialized staff corresponding to mainstreamed thematic priorities (finance, procurement, environment/climate change, gender), will be put in place. Equally important, in continuity with IFAD's experiment with subregional offices, country programmes will be grouped together to the extent possible, allowing staff to work more in teams across countries and to share knowledge. Finally, individual roles and accountabilities will be further clarified: (i) within ICOs to best utilize the respective expertise of international and national staff, and (ii) across HQ and ICOs, as some adjustments will need to be made in HQ to accommodate proposed changes to ICOs. These actions are in line with the CLE's recommendations and are expected to have a considerable positive impact on staff, project effectiveness and efficiency, and client service. Support will be needed from across IFAD in order to ensure the success of an organizational shift towards a more globally dispersed workforce.
16. Complementary management of country programmes by HQ and ICOs will enhance project effectiveness and knowledge-sharing. Management of certain country programmes will be retained in HQ and administrative staff will remain in place for HQ-based programmes and to perform a liaison function for ICO administrative staff. The programmes that will continue to be managed by HQ include small countries and select countries with geographical proximity to HQ. In such cases, the cost of running an ICO cannot be justified. As an institutional

<sup>3</sup> IFAD Country Presence Policy and Strategy (EB 2011/102/R.10) developed a set of criteria for opening and exiting ICOs; these criteria were recapped in the IFAD Country Presence Strategy: 2014-2015 (EB 2013/110/R.5) and continue to remain the guiding criteria.

<sup>4</sup> Kyrgyzstan, Malawi, Myanmar and Turkey .

<sup>5</sup> Data from the Internal Audit Report (IAR) on the Review of the Role and Workload of CPMs Posted to IFAD Country Office Duty Stations (IAR/15/10) show that project workload is greater for outposted CPMs and that this workload is not adequately supported by current staffing levels.

consideration, it is also important to retain some CPM capacity in HQ to facilitate staff rotation in and out of ICOs.

17. IFAD will consolidate its country presence around three ICO models. Over the coming years, ICOs will be managed under one of the following models: subregional hubs, country programme groups and single ICOs. As explained below, the medium-term vision is to increase the grouping of country programmes under hubs or groups and to significantly reduce the number of single ICOs. There will eventually be approximately 45 ICOs, managing nearly double that number of country programmes. This is in line with the CLE, which strongly promotes the concept of hubs and a greater critical mass of ICOs, and also suggests that some ICO closures may be needed.
  - (i) Subregional hubs
18. Subregional hubs will be service centres equipped with technical and administrative staff to serve all or part of a region, and will also carry out country programme functions for a smaller group of countries. The hubs are designed to support countries that are geographically close. The hubs will be enabled to ensure effective implementation of the portfolio through provision of additional technical (environment/climate change, gender), administrative (general administration, human resources and IT) and fiduciary (financial management<sup>6</sup> and project procurement)<sup>7</sup> capacity. Technical services for cross-cutting issues will enhance operational performance, which is particularly needed in the case of environment given the findings of the CLE in this area. Support for procurement and financial management will improve project efficiency and overall portfolio performance. The larger concentration of staff in one country will increase IFAD's visibility.
19. The country programme functions for a smaller group of countries, and country programme staff will be shared across countries covered by the hubs. Pooling of country programme staff and knowledge-sharing will bring about programme and cost efficiencies and create a team approach to serving clients. This will also enhance job content and skills development, particularly for national staff. Hubs will be located in countries with stable situations, and good geographic and travel connectivity within the subregion/region. The CLE corroborates the benefits of hubs, suggesting that they could: facilitate engagement at the regional level, provide more continuity and flexibility in serving countries, enhance economies of scale in deployment of staff and consultants, and reduce administrative costs such as travel and document processing. The subregional hubs planned for IFAD10 and IFAD11 are presented in table 2.

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<sup>6</sup> In addition to financial management national staff, discussions are ongoing between PMD and the Financial Management Services Division (FMD), to test the concept of progressive decentralization for FMD through a pilot that, if successful, would be rolled out to other hubs.

<sup>7</sup> While not all of these staff are expected to be recruited/outposted by the end of IFAD10, good progress has already been made to retain five environment specialists, two gender specialists, and two finance officers (with two more expected in the near term) for positions in hubs.

Table 2  
**Subregional hubs for IFAD10/11<sup>8</sup>**

| <i>Subregional hub</i>                 | <i>Location</i>                          |
|--|--|
| 1. South-East Asia and the Pacific hub | Indonesia (Jakarta)                      |
| 2. Mekong hub                          | Viet Nam (Hanoi)                         |
| 3. East Africa hub                     | Kenya (Nairobi) <sup>9</sup>             |
| 4. Southern Africa hub                 | Mozambique (Maputo)                      |
| 5. Andean hub                          | Peru (Lima)                              |
| 6. Central America hub                 | Guatemala (Guatemala City) <sup>10</sup> |
| 7. Near East and North Africa hub      | Egypt (Cairo)                            |
| 8. West Africa hub                     | Senegal (Dakar)                          |

20. Not all the hubs are expected to be established or fully staffed by end-IFAD10; during the IFAD11 period staffing will continue until a full complement of technical service staff is reached. Subject to demand, available resources and execution of the appropriate host country agreement, a limited number of additional hubs may be established (e.g. India, Turkey).

(ii) Country programme groups

21. Country programme groups consist of countries and/or country programmes grouped together for country programme management purposes. Each group will be managed by one CPM-led office covering at least three active country programmes, and often overseeing more than one ICO. Like the country programme staff in hubs, staff in country programme groups will share country programme functions for the countries in the group. Unlike hubs, the groups will have no technical staff. Countries will be grouped together based on common characteristics related to country profiles and needs, areas of focus of projects, and/or geographical proximity. Table 3 presents the groups planned for IFAD10.

Table 3  
**CPM-led ICOs managing country programme groups during IFAD10**

| <i>CPM-led ICOs managing groups</i> |                 |
|-------------------------------------|-----------------|
| 1 Bangladesh                        | 6 Turkey        |
| 2 China                             | 7 Kyrgyzstan    |
| 3 India                             | 8 Côte d'Ivoire |
| 4 United Republic of Tanzania       | 9 Cameroon      |
| 5 Madagascar                        |                 |

22. Additional groups are expected to be formed later in the IFAD10 or IFAD11 period, by integrating individual country offices with other ICOs (see below) or by expanding the country coverage of some ICOs. Consideration will be given to converting a few select groups to hubs in IFAD11 (e.g. India, China and Turkey). Adopting the principle of pooling staff, CPMs at HQ who are managing groups of countries that include single ICOs will be encouraged to allow national programme staff to work across countries.

(iii) Single ICOs

23. Single ICOs serve only one country. These offices typically have just one or two professional staff members and are country programme officer-led for smaller country programmes and CPM-led for larger programmes. A country may require a single ICO because of its strategic importance, or due to fragility or a large

<sup>8</sup> As recommended by the CLE, a functional/workload analysis will be carried out to fine-tune, as relevant, the location and country coverage of the planned hubs.

<sup>9</sup> With the establishment of the Southern Africa hub, the services of the Nairobi ICO will have a subregional instead of a regional coverage.

<sup>10</sup> Subject to the signature of the host country agreement.

portfolio. Such countries are characterized by special circumstances (e.g. they are geographically more isolated, have specific political concerns or are categorized as extremely fragile) and travel to them may be problematic, making grouping difficult. Given the relative inefficiencies of single ICOs, an effort will be made to group them during the course of IFAD10 and consideration will be given to closing underutilized offices. By the end of IFAD11, it is expected that few single ICOs will remain.

24. The first step in the implementation of the plan will be a functional and workload analysis. The plan will result in an increase in ICO capacity, especially through hiring of national staff, more outposting of HQ staff to ICOs, and streamlining of duplicated functions at HQ. The progressive shifting of staff and responsibilities to ICOs and deepening teamwork across HQ-ICOs will have implications for CPMs, technical staff, other Professional staff leading and supporting project work, and project and office administrative staff in terms of their roles and responsibilities and their location. A thorough functional and workload analysis will be undertaken for all country programmes to inform distribution of ICO models, determine staffing needs, and prioritize tasks and activities at ICO level. The result may be a recalibration of CPM portfolios, staffing numbers, with possible implications for administrative budgets across regions and programmes. The CLE underscores the need for such a functional analysis and the need for a significant shift of functions (including technical) and staff from HQ to the field; some staff reductions in HQ to allow for an increase in staff numbers in ICOs; and greater clarity on the responsibilities foreseen for different ICO models.
25. The three models will entail changes to staffing and a clearer division of labour at the ICO level. As the human resource capacity of ICOs increases and HQ capacity is reduced, staffing levels, roles and contractual arrangements will need to be reviewed and adjusted. Contractual arrangements will be examined to ensure a consistent staffing structure across ICO models, minimize differing treatment of staff across ICOs and HQ, and provide the flexibility to cater to different country contexts. The plan will promote clearer division of labour at the ICO level as follows:
  - Technical and other service staff in hubs will provide project design and supervision support for the subregion or region. They will report to the relevant technical division at HQ and for administrative purposes to the regional division.
  - Programme staff in hubs and groups will be provided with additional CPMs and programme officers, depending on portfolio size and complexity and on the results of the workload analysis. Hubs, and preferably also groups, will be run by senior international staff (P-5 level), with management responsibilities for personnel, office and security becoming a growing and recognized part of their work programme. 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 the countries covered by the hub.
  - Programme staff in single ICOs and HQ will focus on portfolio performance and, when relevant, on maintaining engagement during periods of fragility. A more continuous country representation and NLAs are not expected to be prioritized. Staff in single ICOs are not sufficiently resourced to undertake the full array of NLAs and staff in HQ do not have the proximity to clients to take on regular partnership and policy engagements, and in addition, they cover corporate responsibilities while in HQ.
  - Administrative support staff in ICOs will be increased to provide the minimum capacity needed to support programme and office administration in all ICOs.

In parallel, the functions of administrative staff in HQ will shift over time to the provision of supervisory and liaison support for the increased administrative capacity in ICOs and undertaking programme administrative functions for HQ staff.

26. IFAD's success in providing knowledge products and services to clients will be enhanced as incentives and resources are made available. The CLE noted the need for greater resources and more support from HQ for ICOs to deliver NLAs, especially knowledge products. Decentralized knowledge management activities were envisaged as project lesson learning, building government capacity and developing knowledge products and services for government clients. ICO staff have continuous opportunities to build government capacity through various forms of interaction with government officials – i.e. partner thematic groups, policy engagement and project work. Such activities provide clear gains for IFAD's visibility and reputation and more resources will be allocated to ICO staff to facilitate this work. Knowledge services focused on a specific product (technical note, building South-South platforms/networks) have also been flagged as a central part of IFAD's work in the ICO context. While these products and services are not exclusively linked to decentralization, implementation of the knowledge management framework under the leadership of the Strategy and Knowledge Department (SKD), continued teamwork among country teams, the Policy and Technical Advisory Division and the Communications Division, and a greater effort to mobilize grants funds are all expected to better enable IFAD to provide these services.
27. Strengthened field presence will place ICOs at the forefront of partnership development and management, including with other Rome-based agencies. Cofinancing opportunities are increasingly being identified, negotiated and developed at ICO level. IFAD's model of using its own resources to leverage third-party resources will call on ICOs to be more active in the pursuit of locally relevant partnerships. Over the past year, systematic training on partnership-building has been provided to regional divisions, particularly targeting ICO staff. This training will be an essential feature of the "CPM Academy" described below.
28. Continued staff and career development are needed to support a more global workforce. With a more geographically dispersed workforce, training and career development will become increasingly important. As stressed in the CLE, the progressive increase in staff responsibilities and authority in ICOs creates a continuous need for capacity-building of ICO staff, including onboarding for new national staff, team-building for staff in hubs and groups, managerial training for CPMs, and enhanced career opportunities for national staff. To address this, plans for an academy for CPMs (CPM Academy) are currently being finalized. The CPM Academy will complement existing training courses to enhance staff expertise in technical and thematic areas. Management training has been developed and will be customized and rolled out for CPMs who manage geographically dispersed teams. As ICO staffing in hubs and groups increases, more training courses will be offered in centrally-located offices for groups of ICO staff, in topics such as working in small and remote teams, stress and conflict management and team-building. Moreover, the recently completed review of language training services will increase opportunities for ICO staff to benefit from virtual language classes offered by a leading professional language firm. Mobility and career development opportunities for national staff will be further enhanced, in line with the new IFAD Career Development Framework. In this regard, briefing sessions are being held in ICOs to ensure that field staff are fully aware of the career development opportunities available to them. Through the staff pooling system in hubs and groups, national staff will be able to work in other countries, acquire regional experience and international exposure, which will enhance their opportunities to compete for international positions in other duty stations.

29. Country office efficiency could be improved through delegation of additional functions. The CLE has noted that delegation of authority to CPMs in ICOs has not proceeded at a sufficient pace to date. The results of the decentralized budget pilot in the Viet Nam ICO will be carefully assessed to inform Management's decision on scaling up the initiative to other hubs. Overall, increased delegation could yield significant efficiency gains by reducing the time needed for HQ or hosting agency approvals. Moving more authority to the field has the potential to improve efficiency considerably, but needs to be accompanied by added capacity, some capital investment in systems and training of ICO staff to take on these roles, and must be monitored by HQ.
30. Staffing changes and some office expansion are incremental cost drivers. Management will make every effort to maximize cost efficiencies during the implementation of the plan. The reduction of 10 General Service positions at headquarters is ongoing to support and substantially increase ICO positions. HQ duplicated functions will be further streamlined, service-level agreements with hosting agencies may be trimmed, and underutilized ICOs will be closed. Combined, these measures are expected to result in US\$2.4 million in efficiency gains over the IFAD10 and IFAD11 periods. Despite these efforts, there will be incremental costs of approximately US\$0.4 million to US\$0.5 million per year (totalling US\$1.6 million by the end of IFAD11), equivalent to approximately 0.27 to 0.34 per cent of IFAD's total approved budget for 2016.<sup>11</sup> These costs primarily relate to expansion of office space and to the additional staff needed for enhancing technical and programme capacity in ICOs. As highlighted in the 2016 update document, IFAD's approach to country presence has evolved and is expected to be consolidated into an optimal structure of hubs, groups, single ICOs and HQ-managed programmes by the end of IFAD11. The incremental costs to complete this phase are expected to stabilize by the end of that time frame.

Graph

**Estimated Incremental ICO costs**



31. The monitoring system to track decentralization will be adjusted to reflect an institution with a blended HQ-ICO presence. The current institutional monitoring framework for decentralization stems from the initial stages of the programme, when the focus was on opening new country offices and tracking benefits to justify the costs associated with the significant shift in location for the institution. Given that most of the planned ICOs are already operational, monitoring the opening of new offices is no longer necessary. Monitoring the portfolio differences between ICOs and HQ will also be less relevant going forward, as IFAD increasingly delivers products and services in the field using blended HQ-ICO teams. As suggested by the CLE, in the future, portfolio monitoring will be covered in corporate reports (e.g. the Report on IFAD's Development Effectiveness), rather than through a separate monitoring framework for decentralization.

<sup>11</sup> In 2016, IFAD's total approved budget amounted to US\$146.71 million.

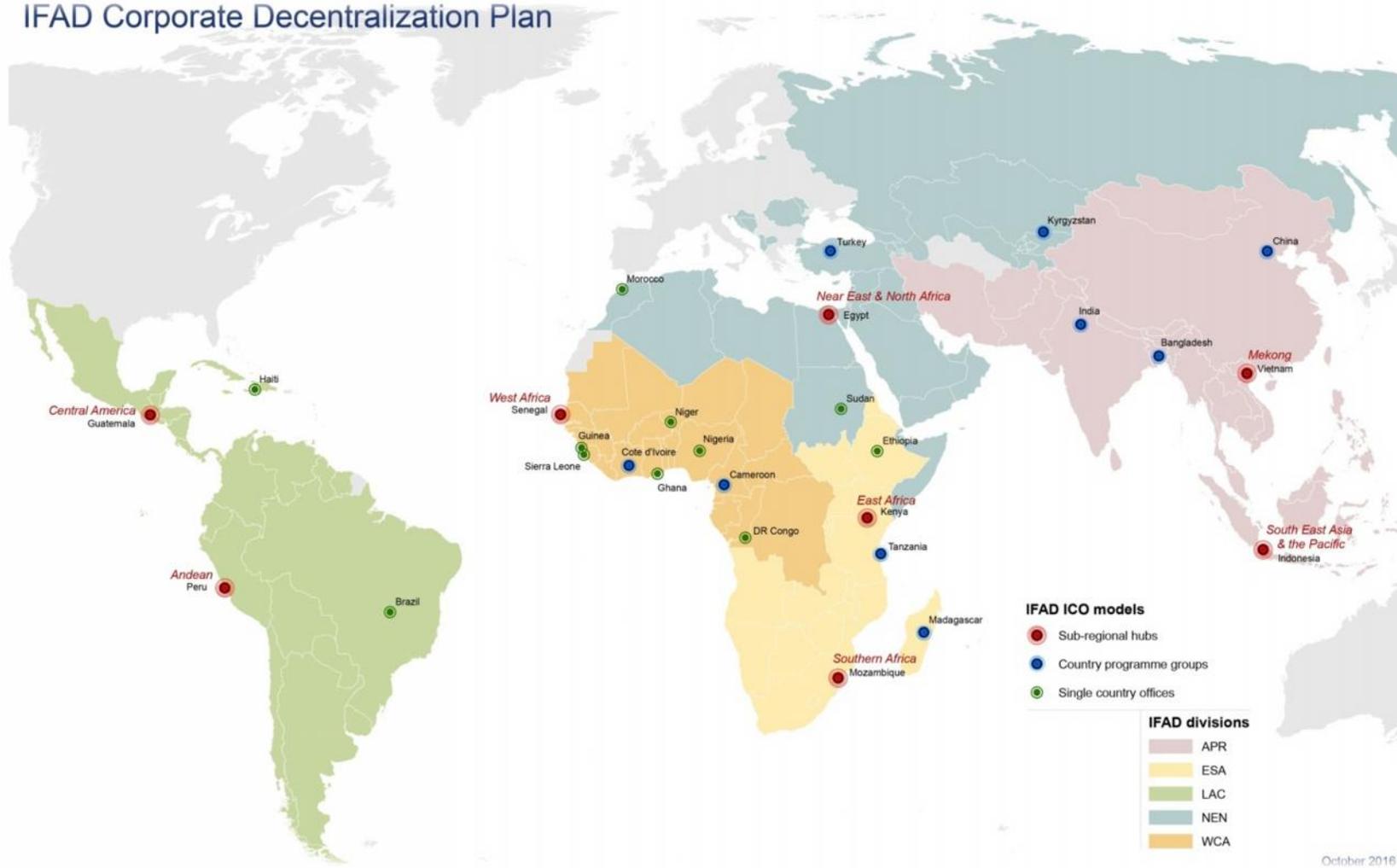
32. The Corporate Decentralization Coordination Group – co-chaired by the Associate Vice-President, Programme Management Department and Associate Vice-President, Corporate Services Department – will supervise and provide strategic guidance for the planning and implementation of IFAD's decentralization. In collaboration with PMD, FSU will continue providing pivotal day-to-day institutional support to the ICOs. Updates on the implementation progress of the plan will be provided in the annual programme of work.

## V. Conclusions

33. The Corporate Decentralization Plan has been developed to consolidate IFAD's decentralization strategy and to enhance corporate efficiencies and programme effectiveness during the IFAD10/IFAD11 period and beyond. Its implementation is expected to have a major positive impact on IFAD's operations, thanks to the shift from a HQ-centric operation with narrow country presence to a more consolidated HQ-field-blended operational strategy and presence. This is based on six guiding principles: (i) from quantity to quality, by consolidating and strengthening capacity in existing ICOs, with only a modest increase in the number of new offices; (ii) from a variety of experiences to harmonization, by adopting a more uniform approach across regions to reinforce a unified IFAD corporate identity; (iii) from light touch to critical mass, by establishing adequate technical and administrative capacity at the field level for greater impact; (iv) from silos to staff pooling, for the efficient use of IFAD's global workforce; (v) from overlapping to streamlined actions, by ensuring complementarity of functions between HQ and ICOs; and (vi) from limited to greater delegation of authority, to expedite implementation of actions in the field.
34. As part of the initial implementation of the plan, the following critical actions will be carried out: (i) a thorough functional and workload analysis of all country programmes to inform distribution of ICO models; determine staffing needs, roles and responsibilities in country teams; prioritize tasks and activities at ICO level; and further streamline duplicated functions at HQ; (ii) the assessment of the pilot delegation of budget authority in Viet Nam, to consider expanding the practice to other ICOs; and (iii) the development of a clearer corporate vision for non-lending and lending activities (objectives, targets, type of products and services, staffing and resource needs) to enrich the effectiveness of decentralization.
35. The implementation of the plan and associated actions will require support from across IFAD. The Corporate Decentralization Coordination Group will ensure adequate cross-divisional coordination and will supervise and provide strategic guidance for the planning, implementation and monitoring of the plan's activities.

# Map of IFAD's country presence for IFAD10/11

## IFAD Corporate Decentralization Plan



October 2016

## Benefits of IFAD's decentralization

Table 1  
Project performance at completion, with versus without ICOs\*

| <i>Evaluation criteria</i>                   | <i>Average PCR rating</i> |                    | <i>Difference</i> |
|--|---------------------------|--------------------|-------------------|
|  | <i>With ICO</i>           | <i>Without ICO</i> |                   |
| Relevance                                    | 5.02                      | 4.82               | 0.21              |
| Effectiveness                                | 4.44                      | 4.17               | 0.27              |
| Efficiency                                   | 4.11                      | 3.86               | 0.26              |
| Sustainability                               | 4.22                      | 3.89               | 0.33              |
| Household income and assets                  | 4.66                      | 4.22               | 0.43              |
| Human and social capital and empowerment     | 4.67                      | 4.24               | 0.43              |
| Food security                                | 4.53                      | 4.21               | 0.32              |
| Agricultural productivity                    | 4.51                      | 4.21               | 0.31              |
| Institutions and policies                    | 4.48                      | 4.24               | 0.24              |
| Gender equality and women's empowerment      | 4.69                      | 4.18               | 0.50              |
| Access to markets                            | 4.10                      | 3.81               | 0.28              |
| Innovation                                   | 4.53                      | 4.24               | 0.29              |
| Potential for scaling up                     | 4.72                      | 4.24               | 0.47              |
| Environment and natural resources management | 4.32                      | 4.03               | 0.29              |
| Adaptation to climate change                 | 4.21                      | 4.00               | 0.21              |
| Targeting and outreach                       | 4.59                      | 4.17               | 0.42              |
| IFAD's performance                           | 4.68                      | 4.29               | 0.39              |
| Government performance                       | 4.34                      | 3.99               | 0.35              |
| Overall project achievement                  | 4.44                      | 4.14               | 0.30              |
| <b>Average</b>                               |                           |                    | <b>0.33</b>       |

\* The analysis considered all available project completion report (PCR) data, i.e. 304 PCRs of projects completed between 1995 and 2015. A PCR was considered as "With ICO" when the project was completed at least two years after effectiveness of the ICO. The five countries with the more recent ICO were excluded from the analysis. Source: PCR rating database – SharePoint (data extracted in August 2016).

Table 2  
**Project performance during implementation, before versus after ICO\***  
 (As at August 2016)

| <i>Evaluation criteria</i>                         | <i>Average Project Status Report Rating</i> |                   |               |
|--|---|-------------------|---------------|
|  | <i>After ICO</i>                            | <i>Before ICO</i> | <i>Change</i> |
| Overall implementation progress                    | 4.25  | 3.91              | 0.33          |
| Likelihood of achieving the development objectives | 4.29  | 3.96              | 0.33          |
| Poverty focus                                      | 4.62  | 4.18              | 0.44          |
| Gender focus                                       | 4.54  | 4.00              | 0.54          |
| Performance of M&E                                 | 4.01  | 3.83              | 0.18          |
| Quality of project management                      | 4.38  | 3.88              | 0.50          |
| Responsiveness of service providers                | 4.28  | 3.89              | 0.38          |
| Acceptable disbursement rate <sup>12</sup>         | 3.88  | 3.82              | 0.06          |
| Counterpart funds                                  | 4.36  | 4.24              | 0.12          |
| Compliance with financing covenants                | 4.35  | 4.15              | 0.20          |
| Compliance with procurement                        | 4.22  | 4.11              | 0.11          |
| Quality and timeliness of audits                   | 4.23  | 4.03              | 0.20          |
| Quality of beneficiary participation               | 4.49  | 4.14              | 0.36          |
| Physical/financial assets                          | 4.22  | 4.00              | 0.22          |
| Coherence between AWPB & implementation            | 4.21  | 4.08              | 0.13          |
| Food security                                      | 4.30  | 3.94              | 0.36          |
| Quality of financial management                    | 4.15  | 3.95              | 0.20          |
| <b>Average</b>                                     |   |                   | <b>0.27</b>   |

\* Analysis carried out on a sample of 69 projects. The same project was observed in two points in time: two years before the effectiveness of the ICO (Before ICO) and two years after the effectiveness of the ICO (After ICO). The sample, containing 138 observations, is statistically significant and fixes the projects comparability issue. The five countries with the most recent ICOs were excluded from the analysis. Source: Project Status Report Data (PSR online).

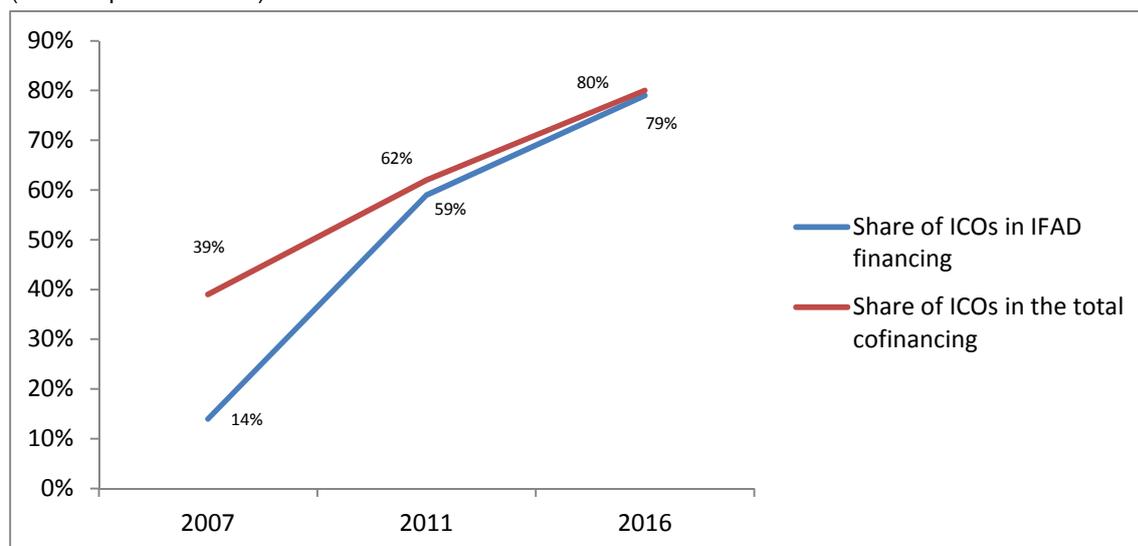
Table 3  
**Project performance during implementation - Portfolio at risk (PAR), before versus after ICO\***  
 (As at August 2016)

|                            | <i>Number of projects</i> |                       |                          |              |                |
|----------------------------|---------------------------|-----------------------|--------------------------|--------------|----------------|
|                            | <i>Not at risk</i>        | <i>Actual problem</i> | <i>Potential problem</i> | <i>Total</i> | <i>PAR (%)</i> |
| Before ICO                 | 48                        | 18                    | 3                        | 69           | 30             |
| After ICO                  | 57                        | 7                     | 5                        | 69           | 17             |
| <b>Change (percentage)</b> | <b>19%</b>                | <b>-61%</b>           | <b>67%</b>               |              | <b>-43%</b>    |

\* Same as in table 2. Source: PSR online.

<sup>12</sup> In spite of the relatively low disconnect in disbursement performance in countries with ICOs, the preliminary findings of the in-depth disbursement study undertaken by the Research and Impact Assessment Division shows that country presence is positively correlated with IFAD's disbursement performance. The study shows that ICOs have a positive effect on the disbursement rate during project implementation. Disbursements are higher and are made more regularly. The findings related to ICOs are based on a statistical analysis of disbursement performance of all projects approved between 1995 and 2014. They are statistically significant and sound as the regression model used for this study also controls for variance on a set of other variables at country and IFAD level.

Table 4A  
**Value of ongoing portfolio managed from ICOs\***  
 (As at September 2016)



\* Source: GRIPS.

Table 4B  
**Structure of cofinancing**  
 (As at September 2016)

| Year | <i>Domestic cofinancing<br/>(percentage of ongoing portfolio)</i> |                    | <i>International cofinancing<br/>(percentage of ongoing portfolio)</i> |                    |
|------|---|--------------------|--|--------------------|
|      | <i>With ICO</i>   | <i>Without ICO</i> | <i>With ICO</i>  | <i>Without ICO</i> |
| 2007 | 16%   | 19%                | 5%   | 13%                |
| 2011 | 24%   | 9%                 | 13%  | 10%                |
| 2016 | 39%   | 4%                 | 24%  | 3%                 |

\* Source: GRIPS.

## 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 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 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 FSU's 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 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 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, 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>  |
|--|---|
| <b>1(a)</b> Reorganize ICOs around hubs; carry out functional analysis to guide establishment of hubs; be ready to close ICOs. | <p><b>Agreed.</b></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> |
| <b>1(b)</b> Carry out functional analysis to rebalance staffing levels between HQ and the field.                               | <p><b>Agreed.</b></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 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>   |
| <b>1(c)</b> Consider further decentralization of other functions (such as financial management).                               | <p><b>Agreed.</b></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 PMD and 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>  |
|--|---|
| <b>2(a)</b> Differentiate non-lending agendas and expectations by type of ICO. | <p><b>Agreed.</b></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><b>2(b)</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><b>Agreed.</b></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><b>2(c)</b> Include skills and professional experience in non-lending activities as criteria for staff recruitment in country offices.</p>   | <p><b>Agreed.</b></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

|  |  |
|--|--|
|  | <p><i>Management response</i></p>  |
| <p><b>3(a)</b> Based on an assessment of the pilot in Viet Nam, prepare a plan for delegating further budget-holding authority to country directors.</p> | <p><b>Agreed.</b></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><b>3(b)</b> Define a framework for further delegation of communication authority, as well as for establishing knowledge platforms.</p>                | <p><b>Agreed.</b></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

|   |  |
|---|--|
|   | <p><i>Management response</i></p>  |
| <p><b>4(a)</b> Strengthen incentives for outposted staff.</p> | <p><b>Agreed.</b></p> <p>IFAD incentives to outposted staff are aligned with the United Nations Common System of Salaries,</p> |

|  |  |
|--|--|
|  | <p>Allowances and Benefits, which foresees a number of entitlements for staff serving in 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> |
| <b>4(b)</b> Expand and better structure the orientation and mentoring programme. | <p><b>Agreed.</b></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>  |
| <b>4(c)</b> Better career development for CPOs.                                  | <p><b>Agreed.</b></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

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|   | <i>Management response</i>   |
| <b>5(a)</b> Adjust the IFAD accounting system to monitor the cost of country programme management under different ICO configurations.                             | <p><b>Agreed.</b></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> |
| <b>5(b)</b> Reduce number of indicators for ICO monitoring, revise their definition and integrate them in IFAD-wide management information systems and reporting. | <p><b>Disagreed.</b></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>   |
| <b>5(c)</b> Revise periodically the Corporate Decentralization Plan and report to Executive Board.  | <p><b>Agreed.</b></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>   |