CLE - IFAD’s Performance-based Allocation System

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Key evaluation messages

• The PBAS has contributed to a more systematic, transparent, accessible and predictable allocation process.

• However, **transparency** in implementation needs improvement.

• The **country needs** component of the formula is a **major driver in determining allocations** with relatively less emphasis on country performance.

• Link between PBAS, budget and pipeline development needs strengthening.
An improvement compared with the past but with some qualifications

• The country needs indicators (GNI, rural population) had limited focus on rural poverty, vulnerability and fragility

• Rural population had a major impact on country but limited representativeness of country needs

• The rural sector performance (RSP) was a critical variable in the PBAS formula, but challenges remained with its rating process

• The Portfolio at risk (PAR) rating process was good but the PAR did not fully reflect the performance of IFAD’s assistance at the country programme level
Recommendations

1. **Relevance:** revision to the PBAS’s design, in particular
   i. Sharpen the PBAS objective
   ii. Strengthen the rural poverty focus
   iii. Refining the RSP variable
   iv. Reassessing the balance between country needs and performance

2. **Effectiveness:** (e.g. strengthen the performance component of the formula, improve transparency of implementation, RSP scoring process, usage of CPIA, minimum allocation)

3. **Efficiency** (e.g. reallocations, spread commitments during the replenishment period, inclusion of countries, frequency of RSP)
4. Management
   - Creation of a standing inter-department committee
   - Development of a system manual
   - Institutionally customized software

5. Reporting
   - Areas to further enhance the transparency of the reporting of the system are: the country selectivity, the rationale for capping, quality assurance of RSP scores, and reallocation exercises

6. Learning
   - Challenges and learning opportunities for system improvement
CLE - IFAD’s Decentralization Experience

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Findings - Relevance

- Objectives for the decentralization process were overall valid.
- Some assumptions were not realistic:
  - Cost neutrality and “light touch” approach vs. broad range of expectations for country offices.
  - Leeway to experimenting country presence but little analysis of needs, costs and performance.
  - Initially, focus on country presence but less attention to reorganizing headquarters.
1. Operational effectiveness:
   - Better strategy and project design (understanding country context)
   - Enhanced IFAD implementation support (problem solving)

2. Development results. Significant rating differences (with/without)
   - Impact on: (i) household’s income, assets; (ii) agricultural productivity
   - Gender equality
   - Sustainability of benefits

3. Mixed contribution to non-lending activities
   - Stronger partnerships with Governments and donors; but uneven effects on knowledge management and policy dialogue
   - Limited resources and varying interest and experience of staff
Effectiveness – An illustration

IOE Project Ratings with and without ICOs (projects completed 2007 – 2015)

- Project Rural Poverty Impact*
- Innovation & Scaling-up**
- Sustainability**
- Gender equality & women’s empowerment**
- Project Overall Achievement**

Without ICO (104)
With ICO (52)
Difficult to reconstruct costs of decentralization due to accounting system

IFAD managed to contain costs associated with country presence

- However, not all cost reducing options pursued. E.g., re-adjustment of HQ staffing
- Strategic and cost-efficiency advantages of sub-regional hubs not fully brought to bear

A number of organizational issues. E.g.

- Delegation of authority
- Orientation and training, career opportunities for national staff
Main recommendations

1. Consolidate country presence and enhance cost-efficiency
   - In the field: build “critical mass” upon advantages of sub-regional hubs
   - Re-organize staff between headquarters and country offices, based on functional analysis exercise

2. Non-lending activities. Differentiate expectations by type of country office. Establish dedicated budget line in country offices

3. Enhance delegation of authority: budget holding, communication

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

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