

Document: EB 2011/104/R.51
Agenda: 16
Date: 25 November 2011
Distribution: Public
Original: English

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Enabling poor rural people
to overcome poverty

Annual Report on Quality Assurance in IFAD's Projects and Programmes

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Executive Board — 104th Session
Rome, 12-14 December 2011

For: Information

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Abbreviations and acronyms

CPM	Country Programme Manager
ERR	Economic Rate of Return
IFI	International Financial Institution
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
IOE	IFAD Office of Evaluation
OPV	Office of the President and Vice-President
PMD	Programme Management Department
PDR	Project Design Report
PTA	Policy and Technical Advisory Division
QA	Quality Assurance
QE	Quality Enhancement
RMF	Results Measurement Framework

I. Executive Summary

1. In 2011, 40 Quality Assurance (QA) reviews were conducted for 39 projects (one project was reviewed twice) -- the highest number of reviews conducted since the Quality Assurance process was implemented in 2008. Overall, activities financed by the reviewed projects aim to support more than 6 million beneficiary households in 39 countries.
2. Results from the 2011 QA review process broadly point to sustained performance in the quality-at-entry of IFAD projects; 38% of projects were cleared by the QA with little or no changes. Overall RMF indicators remain stable and some 88% percent of projects were judged likely to achieve their development objectives. Such findings are noteworthy considering that the number of IFAD's annual operations has increased by more than 30%, financing volume levels have more than doubled and co-financing amounts have increased by 150% since 2008.
3. These results notwithstanding, scope for improvement in IFAD's project designs remain, as 60% of projects reviewed by the QA during 2011 required further design modification before or during implementation. QA ratings for "Innovation, Learning and Scaling-up" and "Sustainability of benefits" continue to underperform their peers and have yet to meet their 2012 targets. Moreover, several themes in design weakness continue to be observed, including in the areas of: economic and financial analysis, implementation arrangements and complexity, logical frameworks, project financing, and monitoring and evaluation.
4. Taken in aggregate, these results indicate that while IFAD's project quality is broadly sound, *more* can be done *earlier* in the design process to further strengthen the maturity of project designs at entry. At the corporate level, measures have recently been taken to improve certain areas of design weakness (logical frameworks, project document quality, economic and financial analysis, and clarifying IFAD's role vis a vis non-farm activities). These efforts are expected to yield improvements in quality-at-entry assessments and ratings over the near-term.
5. At the policy level, guidance is required in a number of areas – such as subsidies, infrastructure, co-financing and financing arrangements – to ensure greater consistency and realism as IFAD's interventions continue to scale up and broaden their scope. At the programmatic level, more can be done at the Quality Enhancement stage to ensure that known weaknesses – especially recurring themes – are adequately flagged and remedied before advancing to the QA stage.
6. To better understand this year's results, the Quality Assurance Secretariat conducted additional analysis at the portfolio level, using data generated by all 137 projects which have undergone QA reviews since 2008, in an attempt to expose some of the broader trends and relationships shaping QA findings.
7. This exercise uncovered several preliminary findings which will be monitored and explored on an on-going basis in the future as more data becomes available. Key findings include: a potential association between the likelihood to achieve development objectives and region; some preliminary evidence to suggest that increases in financing volume, co-financing volume or the number of beneficiary households are not related to decreases (or increases) in overall RMF quality ratings; and potential linkages between the QA reviewers themselves and specific recurring recommendations.
8. Based on these findings, over the course of 2012 the QA Secretariat will continue its efforts to improve the QA process across several dimensions, including piloting the implementation of a database system and assessing and strengthening its ratings system. Other initiatives will include: supporting reform in the use of economic and financial analysis and exploring the role and use of equity funds in IFAD financing.

Annual Report on Quality Assurance in IFAD's Projects and Programmes

II. Overview

9. This Fourth Annual Report on Quality Assurance in IFAD's Projects and Programmes is divided into four sections. Section I is the Executive Summary. Section II provides an overview of the quality assurance (QA) process. Overall results from the QA review of projects prepared for Executive Board presentation in 2011 and ratings based on the use of Results Measurement Framework (RMF) indicators are presented in Section III. Section IV identifies a range of design issues emerging from this year's QA reviews that deserve further attention in 2012. Section V uses the wealth of QA and other project data collected over the last four years to consider the trends in project design quality at IFAD and their implications for the Fund going forward.
10. The QA function and process took effect as of 2 January 2008. Twelve QA review sessions and a number of interim reviews have taken place to date, during which 137 projects have been reviewed. The established QA process entails an arms' length review of project design as a final step before loan negotiations and submission to the Executive Board.¹ The QA review process has three main objectives, which will be discussed in greater detail in Section II:
 - (a) Clearing designed projects for loan negotiations and submission to the Executive Board, with special emphasis on the appropriateness of project design vis-à-vis IFAD's policies and guidelines;
 - (b) Determining the rating for results indicators under IFAD's corporate RMF at entry; and
 - (c) Assessing the quality enhancement (QE) process.

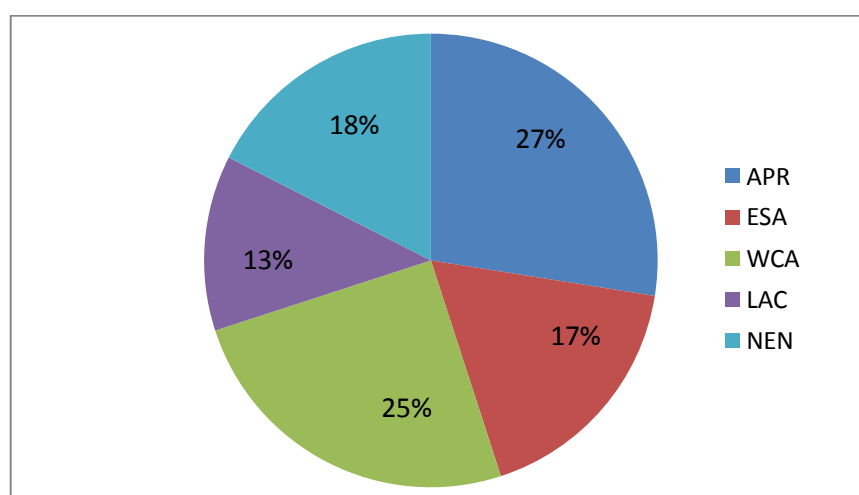
In addition, the QA review recommends measures that could help enhance the likelihood of achieving the projects' development objectives.
11. QA review sessions take place three times a year (February, June and October), with each session spanning approximately two weeks (see Annex I); stand-alone QA reviews are also scheduled on an ad hoc basis. QA sessions are chaired by the Vice-President, unless circumstances require an alternate arrangement. The findings of the QA review process are reported to the Executive Board in an Annual Report which is submitted to the December session of the Executive Board in the same year the project reviews were conducted.
12. In 2011, a total of thirteen external reviewers participated in the process. All external reviewers were formerly senior managers in various international development institutions and generally have between 20 and 40 years of experience designing and implementing projects in developing countries. Apart from their project and sub-sector expertise, some reviewers have been recruited on the basis of their extensive experience working in specific host regions and their language abilities, as many project documents are in French and Spanish as well as English. To ensure continued diversity, in 2011 the QA programme strengthened its pool of qualified reviewers, recruiting new reviewers with considerable experience from regional development banks and will continue to do so in 2012.

¹ IFAD's Quality Assurance – Guidelines for QA function and process, December 2007.

III. Overall quality assurance results in 2011

13. In 2011, 40 QA reviews were held for 39 projects² -- the highest number of reviews conducted since the Quality Assurance process was implemented in 2008 (see Annex II, Table 1 for details). Eight projects were reviewed in the February session, twelve in the June session and fourteen during the October session. In addition, six projects reviewed on a stand-alone basis.
14. Overall, activities financed by the projects reviewed during 2011 aim to support some 6 million beneficiary households across 39 countries. Regionally, projects from the two sub-Saharan African divisions collectively represented 42% of the reviews undertaken during 2011, followed by Asia and Pacific Region (APR) at 27%, Near East, North Africa and Europe (NEN) at 18% and Latin America and the Caribbean (LAC) at 13%. In terms of total project costs, the two sub-Saharan African divisions collectively represented 39% of total project costs; with Asia and Pacific Region (APR), Middle East, North Africa and Eastern Europe, and Latin America constituting 33%, 14% and 14% respectively.

Figure 1
Project Reviews Undertaken during 2011, % by region



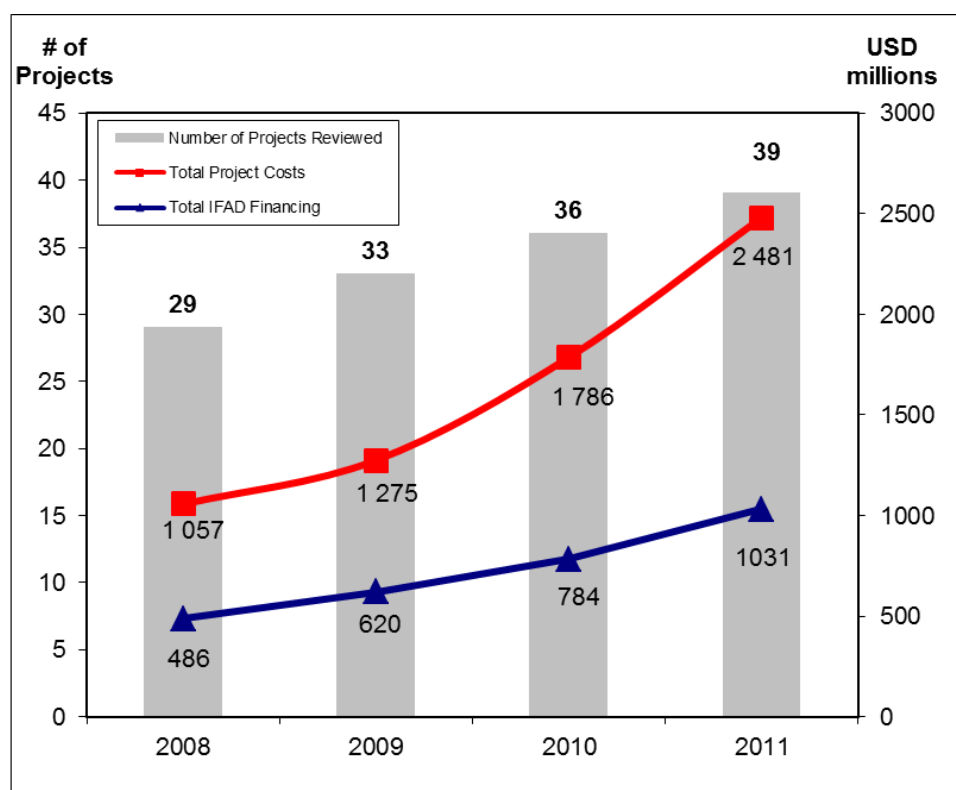
15. During 2011, the volume of total proposed financing associated with the reviewed projects reached its highest level to date, totalling some \$2.48 billion (\$1.03 billion funded by IFAD and \$1.45 billion in cofinancing). Of the 39 projects reviewed, six (15% of the total) were co-financed with other financial institutions acting as a primary or lead financiers, with many other projects receiving significant secondary financing contributions from international development institutions, private sector partners and donors and donor facilities, such as the Spanish Trust Fund, and the Global Agriculture and Food Security Program (GAFSP)³. Given such support from development partners and local institutions, co-financing contributions for the reviewed projects during 2011 leveraged IFAD contributions considerably.
16. The context for the on-going increase in IFAD financing and co-financing is displayed in Figure 2, which illustrates the growing number of projects and associated financing the Fund is producing on an annual basis. This year's QA results did not indicate an overall loss of quality due to increased co-financing

² In 2011, one project was reviewed twice. All tables and graphs in the report which present QA results (RMF ratings, Project Categories, and likelihood of achieving development objectives) include two sets of data for this project.

³ GAFSP is a multilateral mechanism created to assist in the implementation of pledges made by the G8++ at the L'Aquila Summit in July 2009 and set up in response to a request from the G20 in Pittsburgh in September 2009. IFAD is the implementation agency for the GAFSP in Sierra Leone.

arrangements (nor did they in 2010); given the small sample size, however, it is hard to draw meaningful conclusions from annual data. The topic of financing and co-financing volume and its relationship to the design quality of all projects reviewed by QA to date – is discussed further in Section V.

Figure 2
Number of projects reviewed by QA, Total Project Costs, and Total IFAD Financing (US\$ m)



Note: In 2010, one project had total project costs of \$685 million, nearly all of which (98%) represented co-financing. This project is not included in the project costs or IFAD financing volume presented in Figure 2.

17. A summary of the outcomes of the QA reviews in 2011 compared with those of previous years is provided in Table 1.

Table 1
QA review results: 2008 – 2011

Final project categories	Percentage of cohort			
	2008	2009	2010	2011 ^a
(1) Project judged ready to proceed with minor changes	30	30	42	38
(2) Projects judged ready to proceed subject to additional assurances during loan negotiations and/or further modifications/reviews during implementation	60	67	58	60
(3) Projects requiring substantive changes entailing delay in presentation to Executive Board	10	0	0	3
(4) Projects dropped from the lending programme because of inappropriate design	0	3	0	0

^aIncludes two sets of data for one project that was reviewed twice during 2011.

Note: Values may not total to 100% due to rounding.

18. The cumulative results over the past four years point to sustained performance in the quality of project design at IFAD; in 2010-2011, 42% and 38% of projects respectively were cleared by the QA for presentation to the Executive Board with little or no changes.
19. While too early to establish a clear trend, to date this broad measure of project quality indicates that the progress made during 2010 in overall quality of design – or “maturity” – has been sustained. Nevertheless, nearly 60% of projects reviewed annually still require considerable design modifications at the QA stage, suggesting that more can and should be done earlier in the design process to improve project quality. A reasonable goal for IFAD to aim for over the near-term would be to reverse the proportion of cohort share in Categories 1 and 2, so that the majority of projects reviewed each year are cleared for presentation to the Executive Board with little to no changes required.

Development Outcomes

20. Ex ante assessments of whether projects are likely to achieve their stated development objectives make it possible to channel additional attention and resources to projects found to be especially risky. To this end, QA reviewers also provided their best assessment of the likelihood of each project meeting its development objectives (DO).
21. Based on the reviewers’ expectations, 115 of the 137 projects reviewed since 2008 are likely to achieve their development objectives, resulting in an overall 84 per cent satisfactory outcome. These ex ante ratings are similar to the approximately 75% of projects which have performed moderately satisfactory or better in IFAD ex post reviews of effectiveness (defined by IOE as having achieved the specific objectives of the project).⁴ It is worth noting that unlike IOE results that are based on a small pre-selected sample of projects, the QA results encompass 100% of all projects presented to the Executive Board.
22. In 2011 external QA reviewers judged that 88% of all projects were likely to achieve their development objectives, compared to 86% in 2010 and 79% in 2008 and 2009. Like the data presented in Table 2, while the sample is not large enough to demonstrate a trend, the findings do suggest that the Fund has been able to improve and sustain the likely outcomes of its operations amid a context of increasing financing volume and absolute number of projects approved in each year.

Quality-at-entry ratings

23. As part of the QA process, reviewers assess each project with the aid of four RMF indicators and their subcomponents⁵. The ratings are produced to complement reviewers’ qualitative assessments and to add an element of quantifiable comparable metrics to the QA process. The summary ratings for each category are presented below in Table 2.

Table 2
Average Quality-at-entry Ratings and Percentage of Projects with Satisfactory or Better Overall Ratings

RMF indicators	Description	Average rating				Satisfactory or better ratings ^a (percentage)				2012 Target
		2008	2009	2010	2011 ^b	2008	2009	2010	2011 ^b	
RMF 1	Effectiveness of thematic areas	4.5	4.6	4.6	4.5	87	94	97	93	90

⁴ Derived from Figure 2 of the 2010, Annual Report on Results and Impact of IFAD Operations Evaluated in 2009. The value was calculated by averaging approximate values of rolling averages over the eight year period.

⁵ In 2010 one sub-indicator – RMF 2D “Gender Equality and Target Population” – was also incorporated into the RMF reporting system, in response to the Fund’s commitment to act as a “torch carrier” for the achievement of MDG 3 commitments.

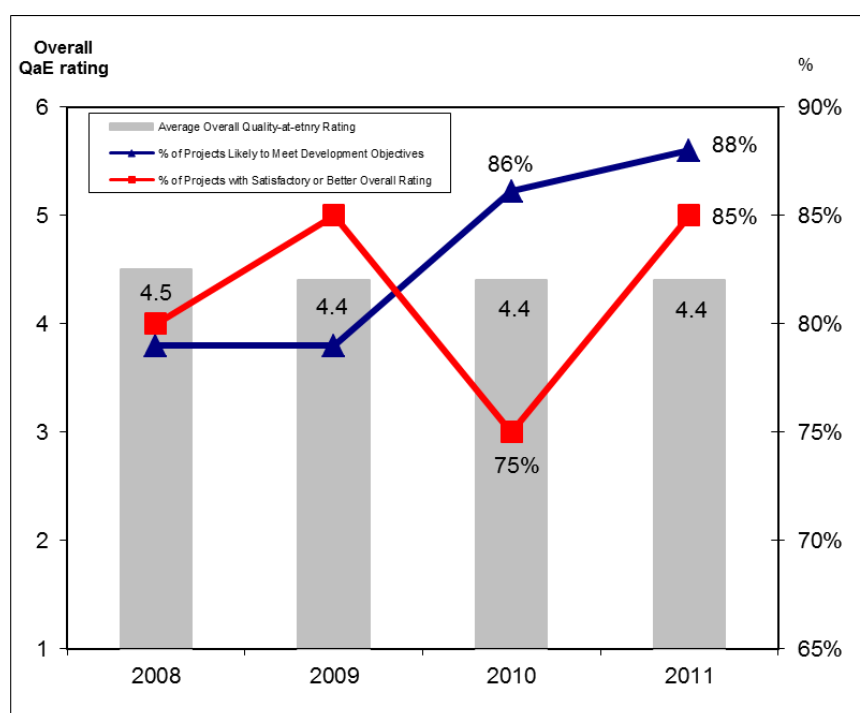
RMF 2	Projected impact on poverty measures	4.6	4.6	4.7	4.5	87	88	97	95	90
RMF 2D	Gender equity and target population	4.6	4.5	4.7	4.6	82	85	92	95	-
RMF 3	Innovation, learning and scaling up	4.4	4.2	4.1	4.2	83	79	78	85	90
RMF 4	Sustainability of benefits	4.4	4.4	4.3	4.2	80	85	72	83	90
Overall rating	Quality-at-entry	4.5	4.4	4.4	4.4	80	85	75	85	

^a Quality-at-entry ratings are based on a scale of 1-6, where 1 is highly unsatisfactory and 6 is highly satisfactory. The percentage indicates the number of projects receiving a rating of 4 or better out of the total number of projects.

^b Includes two sets of RMF ratings for one project that was reviewed twice during 2011.

24. The Overall Quality-at-Entry ratings for 2008-2011, which are presented in Table 2, show relatively little change since the programme's inception. Across the four RMF categories modest variation in each year is present, and in 2011 marginal declines in average values were observed in all but one of the categories. Nevertheless, attempting to extrapolate meaningful insights from such minor fluctuations in annual values would be ill advised and would overestimate the degree of precision associated with the RMF rating system. What can be said, however, is that in any given year, two categories, "Innovation, Learning and Scaling-up" and "Sustainability of benefits" consistently underperform their peers.
25. This trend is also observed in the data related to the percentage of projects that received satisfactory or better ratings by category. While both underperforming categories have seen marked improvement over their respective 2010 performance, in any given year (including 2011) results in these areas consistently lag behind the other RMF categories, and have yet to achieve their target level (90% of projects receiving satisfactory ratings) established during the IFAD8 consultation process.
26. Causes for the consistent underperformance in these categories are generally known. For "Innovation, Learning and Scaling-up" projects often receive weaker scores for failing to convincingly articulate the details of *how* they will successfully make use of previous design and implementation experience (such as knowledge management), structures (existing components, systems, or human resources), and other linkages in a given country programme. "Sustainability of benefits" scores tend to be weaker in areas related to financial sustainability (due to excessive subsidies, poor economic analysis or other factors) as well as the durability of institutional reform and elusiveness of measuring the long-term impact of capacity building activities.
27. Figure 3 summarizes the overall QA results for 2011, featuring relative convergence between this year's likelihood of achieving development outcomes and the percentage of projects registering satisfactory or better for Overall Quality-at-Entry ratings. It is hoped that improvements made to the methodology and approach for collecting this data will extend this harmonization beyond 2011.

Figure 3
Summary Quality-at-Entry Findings for 2011^a



^a Includes two sets of data for one project that was reviewed twice during 2011.

28. Table 3 lists overall quality-at-entry ratings broken down by region, and Annex III displays this data in greater detail. Given the relatively small number of total projects developed by each division per year, annual results along regional lines are not statistically robust and the results here must be interpreted with care. Indeed since 2008, dramatic swings in annual performance have been observed for most regions. This notwithstanding, regional quality-at-entry performance at the portfolio level – which includes observations for 137 projects – is considered in greater detail in Section V of this report.

Table 3
Average Quality-at-entry Ratings and Percentage of Projects with Satisfactory or better: Overall Ratings by Region, 2008-2011

Division	Overall Quality-at-Entry Rating					Satisfactory or better Overall Ratings (percentage)				
	2008	2009	2010	2011 ^a	Average	2008	2009	2010	2011 ^a	Average
APR	4.0	4.1	4.3	4.4	4.2	57	70	75	82	71
ESA	4.7	4.8	4.7	3.9	4.5	100	100	100	57	89
WCA	4.7	4.6	4.3	4.4	4.5	88	89	60	90	82
LAC	4.0	5.1	4.8	4.8	4.7	80	100	75	100	89
NEN	4.2	4.1	4.2	4.4	4.2	75	83	71	100	82

^a Includes two sets of RMF ratings for one project that was reviewed twice during 2011.

Key developments in the QA Process during 2011

29. Over the course of 2011, a number of activities were undertaken to improve IFAD's Quality Assurance process itself:

- **Quality Knowledgebase.** During 2011, the QE and QA Secretariats developed a proposal to design and pilot a new database system – or “knowledgebase” to help manage the workflow and capture the considerable amount of documentation, correspondence and data generated throughout the project quality cycle⁶. In addition to improving administrative efficiency, the system will also enable IFAD to have a more complete view of the effectiveness of project design, from entry into the pipeline through implementation. The system will be piloted and developed in the QA area as a first step. If the pilot is successful, the system would be expanded to include other points along the project life cycle, including the conception and design stages (OSC and Quality Enhancement data), implementation (project status reports) as well as the ex-post analysis (Independent Office of Evaluation).
- **Review of IFAD’s use of Economic and Financial analysis.** Since the Quality Assurance process was established in 2008, project reviewers at both the Quality Enhancement (QE) and Quality Assurance (QA) stages have repeatedly identified weakness in IFAD’s use of Economic and Financial Analysis (EFA) in project design⁷. In response these findings, during 2011 IFAD’s Policy and Technical Advisory division and the QA Secretariat jointly sponsored a workshop to review international best practices in the use and quality of economic and financial analysis and current practice in IFAD’s project design. Participants included IFAD staff, consultants, and colleagues from the World Bank, the Inter-American Development Bank, FAO and academia.
- **RMF Ratings.** In past Annual Reports, weaknesses in the RMF measurement system have been discussed⁸. To begin to address these concerns, over the course of 2011 the QA secretariat revised the quality-at-entry RMF rating system in collaboration with other IFAD departments as part of the broader corporate RMF review for the IFAD9 Consultations. Significant changes included: eliminating and simplifying a number of indicators; creating an Overall Quality-at-entry Rating (rather than a calculated indicator); requiring that all ratings be peer-reviewed to ensure consistency in ratings across projects and reduce reviewer bias; and standardizing instructions and grading criteria for reviewers. The degree to which these changes meaningfully change or improve the utility of the RMF ratings as valid indicators of the quality-at-entry for IFAD’s projects will continue to be monitored and evaluated in future Annual Reports.
- **Workshop on the effectiveness of Quality Reviews.** A joint workshop was held between QA, QE and PMD which considered the design issues flagged by IFAD’s Quality Reviews *ex ante* compared to the projects’ actual implementation experience on the ground. These linkages will be explored in greater detail in future years, as more data (both from QA reviews and project implementation) becomes available. Section V of this report also considers what lessons can currently be learned by analyzing quality data across various segments of the project life cycle.
- **Follow-up on previous QA recommendations.** Since 2009, the QA Secretariat has required that all reviewed projects report on how QA recommendations have been incorporated into project design one year into

⁶ The proposal was approved by IFAD’s IT Governance committee, endorsed by the Operational Management Committee and is now scheduled to be developed over the course of 2012.

⁷ Since 2008, approximately 25% of the projects reviewed at the QA stage have had recommendations related to weak economic and financial analyses.

⁸ Areas of weakness have included inconsistency between the Overall Quality-at-entry indicator and the Likelihood of Achieving Development Objectives as well as other problems relating to the methodology used to gather, calculate, and interpret these ratings

the implementation period⁹. To date, the QA Secretariat has received 35 status updates from projects currently being implemented; more than 20 projects are expected to submit reports over the course of 2012. The progress reports received to date have been reviewed to determine the extent to which QA recommendations have been taken into consideration (actions taken, impact and remaining issues). The QA secretariat is currently following up on 31 reports to gather more information on issues that were outstanding and in an effort to learn more about key design constraints affecting project implementation. In an initial assessment, it was found that the implementation schedules for many projects have been delayed because disbursements did not start immediately after effectiveness.

Effectiveness of the Quality Enhancement process

30. This year's review found that the QE process continues to be successful in identifying areas of weakness in project design and recommending realistic solutions for improvement. QA reviewers noted the following areas in which the QE process could improve:
- a) **Greater follow-up on QE recommendations.** QA reviewers continue to note that recommendations made by the QE panel are often not sufficiently incorporated into the final design before the project is submitted to QA for review. Although various internal mechanisms exist to guide CPMs in modifying their project designs as needed, more must be done. Short of requiring QE staff to police the implementation of their recommendations, the most effective solution is to continue holding the Division Directors responsible for ensuring adoption of appropriate QE recommendations. Other avenues for remedying this weakness include: rating the degree to which QE recommendations have been taken on board by the project and copying technical staff on the distribution of all QA compliance notes.
 - b) **Ensure adequate time between QE and QA reviews.** In 2011, the average number of working days between a given QE review and the subsequent QA review dropped to its lowest point (83 days) since the inception of the QA programme in 2008. Between 2009 and 2011 the average fell by 22%, cutting one month (23 working days) from total project design time. This overall push to expedite project submission to QA has had a number of repercussions (insufficient incorporation of QE findings into the final design; omission of additional field work to resolve underlying issues; insufficient attention to questions relating to the economic and financial viability of the project). The QE cannot control when projects are submitted to the QA; nevertheless, findings from the reviews can influence expectations in this regard. During 2011 the QE Secretariat began to provide Overall Quality Enhancement assessments for projects, indicating their readiness to proceed to a QA review, the need for additional field work or, in some cases, the need for additional QE reviews. This welcome development signals to both CPMs and QA reviewers QE's expectations regarding the overall readiness of a design and will be considered by QA reviewers upon going forward.
 - c) **Objective of Quality Enhancement Reviews** – At times during 2011, QA reviewers encountered strategic and technical issues that, for a variety of reasons, did not receive adequate attention at the QE stage. Given this experience as well as the constant underperformance of projects in the RMF3 and RMF4 categories, a further shift is required in the emphasis of the QE reviews from assessing compliance with IFAD policies to judging the likelihood of a project to meet development objectives, the coherence of the logframe, sustainability, and potential implementation constraints.

⁹ As of 2011, the implementation period was deemed to have begun after the first project disbursement, rather than the date of effectiveness.

- d) **Common ratings.** To date the QE and QA reviews continue to use separate ratings systems for scoring the quality of project designs; Key Success Factors (KSFs) are used by QE and Results Measurement Framework indicators are used by the QA review. While both systems share common elements, they remain fundamentally different with limited scope for comparability across projects. Over the near-term, it might behave the QE and QA Secretariats (working in conjunction with the administrators of project supervision report data) to consider developing one or two common indicators of overall project maturity – such as likelihood of achieving development objectives – which could be produced at each stage of the project life cycle (design, presentation to the Executive Board and implementation). While technical aspects of the development and interpretation of one or two common quality ratings would need to be considered carefully (for example, designs at the QE stage are by definition not finalised), such an approach would add little additional work to current practices, and could, over time, produce additional insights into the effectiveness of IFAD’s project design.
- e) **Interaction between QE and QA.** During 2011, QA and QE teams closely collaborated on several important initiatives such as the Knowledgebase proposal and two workshops. This spirit of partnership must be maintained, especially when QA reviewers request an opinion from the QE advisors regarding the extent to which aspects of a project complied with IFAD policy. While QE Advisors generally made themselves available to participate in QA discussions during 2011, in some cases the validity of these requests were questioned due to the “arm’s length” relationship between the QA reviews and PMD operations, of which QE advisors are members. As the QA process is intended to support borrowing countries, any input from QE reviewers at this stage should be acceptable so long as it enhances the prospects for successful project outcome (this should also include seeking guidance on the extent to which QE recommendations have been adequately implemented).

IV. Design aspects with scope for improvement

31. In 2011, as in 2010, reviewers generally shared the perception that the overall quality of IFAD’s operations is improving. This notwithstanding, experience from 2011, and previous years, suggest that as the Fund continues to expand the size and scope of its operations, several broad areas of project design will continue to require closer attention. These areas include: the clear articulation of the objectives and economic benefits associated with project activities, the capacity of partner institutions to properly execute and monitor the project, rural finance arrangements, and striking the ideal balance between project activities and project implementation capabilities.
32. Table 4 presents the percentage of projects registering the most common recommendations from QA reviewers during 2011 and earlier years. It should be noted that the data below highlight the frequency with which recommendations were made, but they do not give any indication of the relative extent of the weakness in each theme. Consequently, interpretation of the meaning of these data must be done with care.

Table 4
Top 10 Recommendations (% of projects)¹⁰

Theme	2011	2010	2008-2011
Implementation Arrangements	45%	44%	51%
Economic Analysis	43%	28%	25%

¹⁰ In previous annual reports these data were reported as a percentage of observations recorded in the cluster of top 15 recommendations rather than as a percentage of projects reviewed.

Monitoring and Evaluation	38%	31%	42%
Logframe	35%	31%	24%
GAC Frameworks	33%	61%	42%
Rural Finance	30%	25%	18%
Sustainability	25%	14%	13%
Financing	23%	17%	17%
Complexity	20%	19%	22%
Subsidies	20%	25%	14%

Note: The table includes two sets of recommendations for one project that was reviewed twice during 2011

33. A large number of the issues presented above are persistent in nature; they appeared in the 2010 Annual Report and some have been consistently flagged since 2008. Their continued presence is explained by several factors.
34. First, some of the issues are systemic – relating to the nature of IFAD’s mandate, the kinds of activities the Fund supports and the regions where the Fund operates. Recommendations in these areas (such as implementation arrangements complexity, use of subsidies, and capacity building) are endemic to many IFAD operations and cannot be resolved quickly. Rather, these areas of design must be strengthened through heightened awareness as well as a better use of design tools (Logframe, Economic Analysis, GAC frameworks, M&E systems and Risk identification and mitigation measures).
35. Moreover, in some cases more than one year is required to register improvements made in response to issues raised in previous years. For example, during 2011, IFAD’s Programme Management Department launched new project design report and logframe templates aimed at strengthening several areas of project design. Nevertheless, many of the projects reviewed by the QA in 2011 were designed prior to the rollout of the new templates, and consequently did not benefit from them.

A. Technical aspects of project design

36. The following specific recommendations related to project design were identified in multiple projects in 2011; an asterisk next to the topic indicates that this aspect was also highlighted in the 2010 Annual Report. The QA urges IFAD’s management to pay greater attention to possible measures to address and resolve these issues.
37. **Implementation arrangements.** Unlike many other multilateral lending institutions, IFAD relies heavily on service providers (either NGOs or from the private sector) to implement projects. While this has generally resulted in sound implementation, more needs to be done during design to assess the capacity of these institutions, the strength of local project coordinating units (PCUs) and other considerations that might influence their effectiveness (project time horizon, financing arrangements). Added considerations must also be given to the sustainability of these arrangements after completion of the IFAD project. These questions deserve closer attention and scrutiny during the QE and QA reviews.
38. **Economic and financial analysis*.** In 2011, nearly half of all projects reviewed by the QA were judged to need further work in the area of economic and financial analysis. QA reviewers’ considerable interest in this area during 2011 reflects an increased awareness on their part, rather than a decline in the quality of analysis being presented¹¹. Indeed, following the recruitment of a full-time advisor on

¹¹ The QA review is a subjective exercise driven primarily by the experience and judgment of the reviewers; consequently, recommendations and RMF ratings can be influenced by trends. The degree to which this issue affects IFAD’s QA review, and options for reducing such recommendation “bunching” in the future, is discussed briefly in Section V of the report.

economic and financial analysis in IFAD's policy and technical advisory division, QA reviewers noticed a marked improvement in some aspects of ERR analysis during 2011. Nevertheless, reviewers noted that many projects under-employ economic and financial analysis, failing to use it in selecting project components, identifying appropriate logframe indicators, identifying and mitigating key risks or evaluating who in the local economy stands to benefit from project activities. In response to these weaknesses, IFAD staff have begun a process to re-examine the role and use of economic analysis during project design. This review was initiated by a joint QE-QA workshop on Economic and Financial Analysis in October 2011, and recommendations and outputs from this process (such as training and new guidelines) will emerge over the course of 2012.

39. **Monitoring and evaluation.** Reliable data generated by on-going projects activities are useful for judging the efficacy of current operations, making relevant adjustments during implementation and developing new project designs. IFAD projects need to strike a proper balance between the desire to obtain detailed information on project outputs, outcomes and impact and the capacity of local institutions to collect the necessary data. This calls for greater consideration of the appropriate number of indicators and their relevance as a management tool.
40. **Logical Framework*.** Following the completion of revised logframe guidelines in 2011, considerable improvement in the quality of project logical frameworks was noted. Nevertheless, QA reviewers continued to identify shortcomings, many of which centred on the number, relevance and use of outcome indicators. Reviewers frequently commented that IFAD projects contain too many outcome indicators that are difficult to collect, monitor and analyze. In other cases indicators were viewed as being unrealistic or over-ambitious. Finally, the process by which -- and the degree to which -- logframe indicators are revised during project implementation was also discussed during several QA sessions. In general, balancing the demands of IFAD's RIMS requirements with the optimal approach for monitoring and evaluating the effectiveness of IFAD interventions is an area that warrants further consideration in 2012.
41. **Governance and Anti-Corruption (GAC) Framework*.** Governance and anti-corruption frameworks continue to be frequent features of QA review recommendations. Despite a mandate to serve some of the poorest communities in the world, many IFAD project designs could be more inclusive by giving beneficiaries a greater voice in the project decision making process. Frameworks focused on the demand side of governance (i.e. participation, transparency, third party monitoring) offer beneficiaries direct access to and a voice in project decision-making processes (steering committees, implementing units, or other arrangements) through a variety of mechanisms such as complaint and redress channels, observation, or public notification schemes. In 2012, the QA Secretariat proposes to work with PMD to incorporate GAC frameworks into the PDR template to ensure that these elements are consistently incorporated into project design.
42. **Rural finance arrangements*.** QA reviewers have noted several aspects of rural finance where weaknesses persist. The most frequently encountered issue is the choice between deepening the involvement of existing commercial credit providers versus creating new, government supported agencies to overcome perceived credit shortages. Far too often the choice is the introduction of a new entity rather than working with existing ones by providing them with added incentives to branch into rural areas. Unlike previous years when the QA raised questions about subsidizing credit providers, this issue has largely been resolved with the updating of IFAD's credit policy. Remaining issues being encountered in assessing rural finance components include maturity mismatches and perceived risks by commercial banks in lending to rural enterprises; these issues point to the need to exercise greater vigilance at the QE and post-QE stages to ensure compliance with IFAD's internal guidelines.

43. **Project complexity***. A on-going issue is the challenge arising from the increase in IFAD funding and the drive for greater levels of co-financing that result in ever larger projects on the one hand, and the wish to continue to innovate and to operate in remote areas where support is being extended to poor communities. In several projects encountered this year this conflict resulted in excessively complex project design where the number of components and their size was potentially beyond the capacity of the implementing agencies. With ex-post studies by various lending institutions indicating that excess complexity is a major contributor to project failure, this aspect requires continuous vigilance on the part of QE and QA.
44. **Subsidies***. IFAD projects frequently provide cash transfers (i.e. subsidies) and/or matching grants (subsidies but with some level of contribution from beneficiaries) to individuals and enterprises. The rationale for their use is largely based on financial resource constraints faced by poor and marginal smallholders that limit their ability to enter into or expand commercial farming practices, while the case for supporting enterprises is based on the belief that real or perceived risks and inability to access commercial credit discourage private companies from expanding production or start operating in remote areas. Regardless of the merit of these assumptions, the QA has observed that subsidies and transfers are often provided with limited evaluation of the sustainability (i.e. fiscal space implications and potential impact on the local financial sector) and without a detailed assessment of the need for such subsidies. In response to these concerns, the Associate Vice President for Operations requested IFAD's policy and technical advisory division to develop specific IFAD policy guidelines on best practices in dealing with subsidies to underpin future interventions.
45. **Sustainability***. In considering the sustainability of projects, IFAD's reviewers judge the likelihood of a project's activities to continue after IFAD's role (financing, implementation, and supervision) has been concluded. This year, as in previous years, reviewers raised concerns about the viability of specific project components (direct transfer of inputs and technology; maintenance costs of roads and other public infrastructure; eschewing private sector participation in favour of project-run components), which will require perpetual attention (and financing) from local governments and communities in order to create durable impact. In most cases, the QA reviewers did not dispute the short-term benefits to accrue from these activities by the target communities, rather their concerns focused on how the project design would ensure that benefits continue to accrue over the medium and long-terms.

B. Strategic issues

46. Projects reviewed in 2011 contained a number of broader, more policy-oriented issues that deserve further management attention.
47. **Infrastructure.** In recent years, a number of IFAD projects have continued to provide the funding in support of agricultural-related infrastructure development (such as feeder roads). This development in and of itself is not problematic; indeed, IFAD projects' interventions in agriculture are sometimes not sustainable precisely because beneficiaries are located in remote areas and, therefore, are denied access to the necessary markets, information or key services. Nevertheless, as infrastructure investments assume a more prominent role, it behoves IFAD to define the boundaries and consider the extent to which its funding should include the financing of public works and infrastructure. At the project level, the rationale for infrastructure support in the context of IFAD's mandate should be consistently and clearly presented in each project design report; at the corporate level, the Fund's support for infrastructure should be clearly expressed in future Strategic Framework documents. Going forward, a document identifying best practices in infrastructure development should be developed by reviewing, consolidating and finalizing the draft Rural Infrastructure Learning Notes.
48. **RIMS.** As per IFAD's operational guidelines, a range of RIMS indicators (e.g. reduced child malnutrition) must be included in to the logframe to measure project outcomes. Nevertheless, QA reviewers continue to question the extent to which these indicators can be attributed to project activities. While it is possible, for example, to observe reduced child malnutrition in parallel with rising household incomes over time, the causality of such relationship requires an analysis of all contributing factors, which is complex and rarely undertaken. Furthermore, the RIMS measure changes in indicators between the start and completion of project activities, and yet project benefits frequently start flowing only after completion of the activities. The QA secretariat recommends reconsideration of the extent to which the RIMS provide meaningful attributable information about IFAD's investments even at the goal level of the logical framework.
49. **Non-farm activities.** During 2011, QA reviewers raised questions about the degree to which IFAD projects can and should support non-farm activities (not including infrastructure). While IFAD's mandate remains focused on activities in and around the agricultural value chain, projects may seek to complement this with components focused on non-agriculture related activities (e.g. employment generation, export promotion of non-agricultural products and income generation). While such components are designed to generate additional income and employment opportunities for the rural poor, further discussion is merited. In response to these findings, IFAD's management has undertaken to define the boundaries of future forays into non-farm activities as a supplement to the language expressed in IFAD's Strategic Framework, 2013-2015.
50. **Equity funds.** In recognition of the constraints faced by enterprises attempting to expand production using debt financing, in recent years several IFAD projects have experimented with an equity financing facility whereby the loan funds are channelled by government through a publicly owned equity fund to local rural enterprises as equity. While the equity financing model has a clear role to play in economic development, IFAD's experience in this area is very limited (to date four such schemes have been proposed). Before the equity funding model is more broadly adopted as a valid tool for structuring IFAD interventions, consensus regarding the suitability, limitations and best practices with such financing schemes should be reached internally. In light of this, the QA secretariat has encouraged PMD to organize a workshop over the course of 2012 with external experts to consider issues associated with equity financing including the following aspects, specifically: ensuring professional expertise in the management of the fund and the

assessment of investment proposals; placing limits on the percentage of equity to be owned by the fund; and devising measures to permit rapid sale of the fund's equity holdings.

51. **Scaling up.** In 2011, a number of IFAD projects were described as "scaling up" operations. Given the inherent difficulties in defining and quantifying the extent to which projects involve an element of "scaling up", IFAD projects should endeavour to standardize the criteria for describing a project as a scaling up operation in the design report, taking into account a number of issues, such as: evidence that components to be scaled up have been tested in previous projects and their effectiveness and efficacy have been assessed (through monitoring and impact assessment); identifying the impact the scaling up process is expected to have (e.g. "the project will bring the process from the present scale X to scale Y"); describing the relevant spaces involved in the scaling up operation (e.g. "the project will develop institution X through the following measures to enable it to handle the broader responsibilities necessary with the increased scale").
52. **Co-financing with MFIs*.** The recent increase in IFAD's capitalization has been accompanied by renewed emphasis on leveraging resources by co-financing projects with other Multilateral Financial Institutions (MFIs), which in turn has given rise to a number of issues. Which donor assumes responsibility for overseeing project activities and managing the supervision process? If parallel financing is undertaken -- is it one project or two? Whose documents are used to implement/guide/measure the project? Can/should projects exist independently in instances where the co-financing fails to materialize? While these questions are often dealt with on a case-by-case basis, it would be far better for IFAD to develop an institutional view of its role, interests, needs and responsibilities as a co-financier. The QA Secretariat suggests that IFAD develop a guidance note exploring this topic in greater detail, similar to the effort that was undertaken in 2011 to clarify IFAD's role in post-crisis situations.
53. **Pre-financing.** From discussions between the QA secretariat and PMD during 2011, a consensus emerged that the long gap between loan signing and implementation start-up frequently represents the need for further design of project activities. There is general agreement that more needs to be done in order to help projects commence operations as soon as possible. Several ideas merit further consideration; specifically, the QA Secretariat proposes that IFAD explore the following ideas in greater detail during 2012: leveraging co-financing partners' pre-financing capabilities, deploying country grants – when possible – to support early project start-up activities, revisiting a trust fund-based approach for pre-financing, and studying the pre-financing model used by other IFIs to understand their benefits, limitations and possible applicability to IFAD loans.

C. Summary

54. The following table summarizes the areas of design weakness highlighted above along with remedial measures proposed by the QA Secretariat or others.

Table 5: Areas of weakness in project design identified by the QA during 2011

Theme	Remedial actions and Timeline
Economic, Financial and Risk Analysis	Review of the use of Economic and Financial analysis in IFAD project design underway as of October 2011
Implementation Arrangements and complexity	Revised Infrastructure guidance note suggested for 2012; Clarification of IFAD's role in non-farm sectors underway as of November 2011
Logframe and M&E	Revised Logframe rolled out in 2011; Review of the use of the RIMS indicators suggested for 2012
GAC	Revision to project design template suggested for 2012
Rural Finance and private sector	Equity fund workshop suggested for 2012
Financing	Co-financing and pre-financing guidance suggested for 2012
Use of Subsidies	Subsidies guidance note suggested for 2012
Sustainability	Addressed through some of the actions listed above (improved economic financial analysis; subsidies policy; rural finance arrangements)

V. Portfolio Review: Trends in Quality-at-Entry at IFAD

55. Since 2008, IFAD's Quality Assurance function has reviewed 137 projects, generating a number of recommendations and RMF ratings for each project. Given this growing pool of QA data as well as the wealth of other information which is available internally and externally, the QA secretariat has elected to supplement the traditional sections of the QA Annual Report -- which focus on *annual* results -- with a more data-driven section focused on broad trends. The goal of this section is to identify potential drivers of project quality-at-entry which may not be evident in any single year, but are nonetheless prevalent at the portfolio level¹².

Macro-level analysis

56. IFAD's QA data include several summary measures of project quality, including the likelihood of achieving development objectives, summary measures for the four RMF categories (Thematic areas, Project Impact, Innovation, Learning and Scaling-up, and Sustainability), and the Overall Quality-at-Entry indicator (derived from the four RMF indicators). These indicators offer a quantitative assessment of the strengths and weaknesses of IFAD projects before they are submitted to the Executive Board for approval.
57. In addition to these indicators, the QA secretariat has aggregated numerous associated variables which could plausibly be expected to move in tandem with or against the quality measures. A strong statistical correlation between any given quality measure and an associated variable could indicate the presence of an underlying relationship (although not causality), warranting further investigation.
58. Correlations¹³ between IFAD's overall quality indicators and nine associated variables are listed below in Table 6.

¹² The data presented in this section reflects the best efforts of the QA Secretariat to integrate several internal and external data sources into one dataset for the sake of improved analysis. For the year 2011, these data should be considered indicative only..

¹³ These correlations have been calculated using Spearman's Rho statistical measure, since IFAD's RMF quality data are ordinal-level measures and the associated variables are interval-level data.

Table 6
Correlation Matrix, IFAD Quality Data and Associated Variables

	Local context				Financing volume				Intervention scope
	GDP per capita	Net ODA received per capita (current US\$) (2009)	Government Effectiveness	Political Stability	Total project Cost	IFAD total investment volume	Total Cofinancing volume	Cofinancing % of total project cost	Number of beneficiary households
RMF1 overall (thematic areas)	.123	-.005	.170*	.136	.039	.049	.029	.099	-.005
RMF2 overall (projected impact)	.096	-.041	.133	.169*	.039	.109	.015	-.072	.078
RMF3 Overall (Innov, Learning, scaling up)	.107	-.097	.154	.137	.047	.033	.042	-.163	.134
RMF4 overall (Sustainability)	.091	-.131	.202*	.059	.079	.123	.053	-.006	.061
Overall RMF rating	.120	-.106	.189*	.124	.071	.098	.051	-.053	.075

Source: World Bank and IFAD data

*Correlation is significant at the 0.05 level (2-tailed).

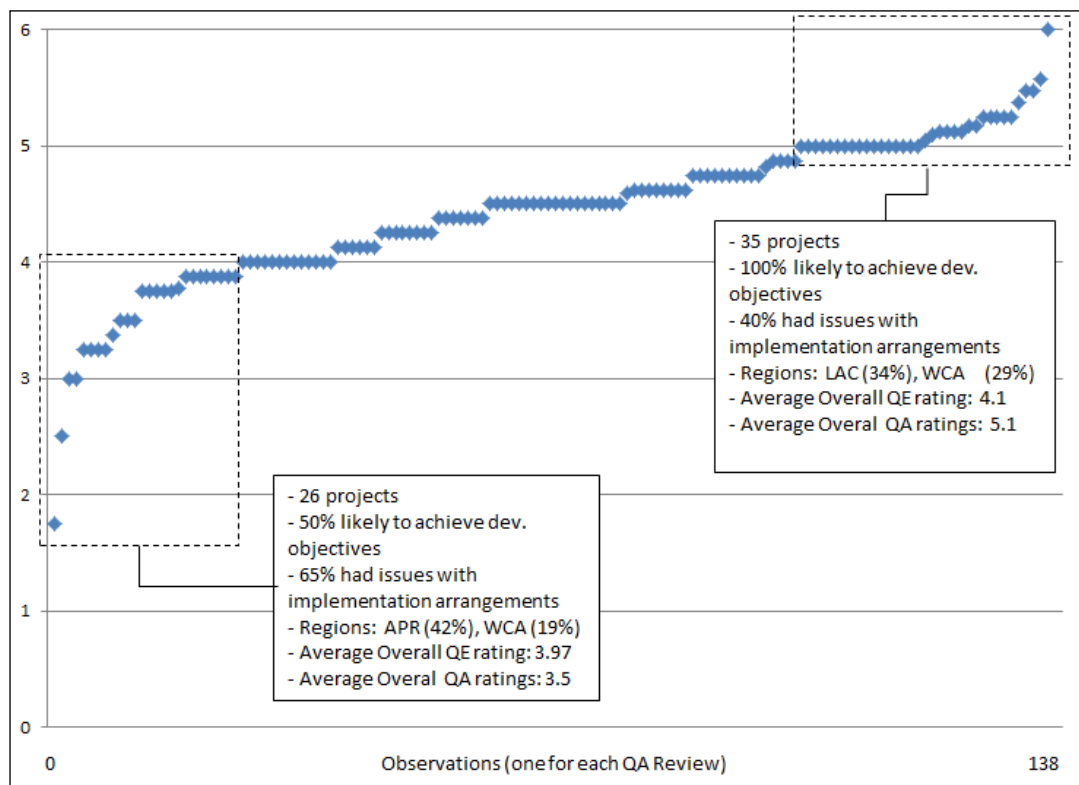
Note: The table includes two sets of RMF data for one project that was reviewed twice during 2011.

59. The data show that, at the portfolio level of some 137 projects, none of the variables is strongly related to project quality ratings. This means that as project quality ratings increase in value (improve), none of the tested variables consistently increases or decreases in tandem. Nevertheless, several interesting findings should be highlighted from these results.
60. Among the variables not correlated to quality-at-entry ratings at the portfolio level are total financing costs and co-financing levels. This means that during the last four years -- as the number of annual operations have increased by more than 30%, financing volume levels have more than doubled and co-financing amounts have increased by 150% -- increases in financing levels appear to have no statistical connection to increases or decreases in project quality ratings. Moreover, there is no compelling pattern between the number of beneficiary households supported and overall project quality ratings. Taken together, these findings offer some preliminary empirical evidence to suggest that IFAD's scaling-up agenda -- in which larger projects are financed (and co-financed) to reach more beneficiaries in a given host country -- has not come at the cost of weaknesses in overall project quality as judged by QA reviewers over the last four years.

Tail analysis

61. Another approach to investigating trends in IFAD's quality-at-entry data is to consider the composition of the two extremes -- or tails -- of IFAD's RMF rating spectrum, projects receiving an Overall Rating of unsatisfactory (less than four), and projects receiving an Overall Rating of outstanding (greater than or equal to five). Such an analysis provides insight into the common traits which have been associated with project weaknesses and strengths in the past. Figure 4 presents the findings.

Figure 4
Analysis of IFAD designs rated unsatisfactory and outstanding using the Quality-at-Entry RMF scale of 1-6



Note: Includes two sets of data for one project that was reviewed twice during 2011.

62. This cursory review highlights several points which merit further exploration both in this brief report as well as in the future. First, there may be a relationship between regional location and project quality, given that more than 40% of the projects with less than satisfactory ratings and more than 30% of the projects with outstanding ratings are each concentrated in a specific region. Second, there may be a connection between particular areas of design weakness and project quality; for example, lower rated projects tend to receive more recommendations in the area of implementation arrangements. Third, elements of IFAD's quality process itself might also be worth exploring, as the averages of overall QE and QA ratings at the upper end of the curve are not well aligned.

Regional analysis

63. Further analysis of project data from 2008-2011 suggests that regional factors are associated with the quality-at-entry ratings of project designs.
64. Table 7 below lists the percentage of projects from each division in two categories: total number of QA reviews and the likelihood of not achieving development objectives (a measure produced by the QA reviewers which draws attention to projects needing particular design support and monitoring during implementation¹⁴). If region had little relationship to design quality, the percentage share of projects not expected to achieve development objectives would roughly match the regional composition of all projects which have undergone a QA review. Nevertheless, the table indicates that over the last four years one region has been

¹⁴ Judgments of QA reviewers in this area are predictions based on their experience. The measure is useful to: a) flag projects that need special monitoring and attention during implementation and b) to eventually compare the reviewer's judgment with actual implementation experience over time (see paragraph 72 for more on this).

more likely, and other regions have been somewhat less likely, to have weaker project designs than would otherwise be expected. As suggested by the table, a statistically significant, though moderate, association exists between region and likelihood of meeting development objectives¹⁵.

65. Regional factors may play a role in the quality of project design for any number of reasons, including: general availability of key resources (skills, financing and implementing partners), environmental factors (weather patterns, topography), regional customs or practices, and the prevalence of conflict, fragile states or weak governance systems. In addition, IFAD-specific factors – including weaknesses in the QA processes itself as noted in paragraph 71-72 below -- could also play a role. These variables will be examined in greater detail in future QA Annual Reports, when more data is available and the QA Secretariat's Knowledgebase is completed¹⁶.

Table 7
Likelihood of achieving development objectives, by region

Region	Number and percentage of projects reviewed	No. of projects rated unlikely to achieve development objectives
Asia and Pacific (APR)	35 (25%)	13 (57%)
Western and Central Africa (WCA)	32 (23%)	3 (13%)
Eastern Africa (ESA)	25 (18%)	2 (9%)
Near-East, North Africa and Eastern Europe (NEN)	24 (17%)	4 (17%)
Latin American and Caribbean (LAC)	22 (16%)	1 (4%)

Note: Includes two sets of data for one project that was reviewed twice during 2011.

Sector analysis

66. IFAD's internal project portfolio management system (PPMS) is not currently linked to the QA database (although going forward this is envisioned as a component of the QA Knowledgebase effort). Consequently, comprehensive data and analysis on correlations between the activities financed and quality-at-entry data were not produced for this report. Going forward, however, such analyses will be undertaken, and are expected to provide insight into questions such as: is financing specific activities associated with the likelihood of achieving the development objectives? Is the size of IFAD's support in any one sector linked to increases or decreases in quality-at-entry? Is IFAD's support to specific sectors within specific regions linked to quality indicators? Are QA recommendations more likely when specific project components are present?

Recommendation analysis

67. To shed some light on the drivers underlying project quality assessments at IFAD, using the limited data currently available, an analysis of relationships between QA recommendations and other variables was undertaken.
68. *Regional associations.* Table 8 makes the case that the most frequent QA recommendations (GAC, M&E, Targeting, Economic Analysis) are not associated

¹⁵ As measured by a Pearson Chi-Square statistic of 13.144, a significance level of .007 (using Fisher's Exact 2-sided significance test) and a Cramer's V value of 0.335 with a significance (2 sided) of .003.

¹⁶ Only four years of data are currently available. As illustrated in Table 3 and in Annex III, performance at the regional level may also be changing over time.

with the regions themselves, but rather are distributed relatively equally among the projects according to their percentage share of total QA reviews¹⁷. This finding complements the results presented in Table 4, that many of the persistent themes raised by the QA review process are systemic in nature.

69. Several select recommendation areas where a particular region's projects were over-represented¹⁸ are also highlighted in black in Table 8, although at the moment the association between region and recommendation area is only considered statistically significant for two categories¹⁹. It is possible that the nature of IFAD's engagement in each division (i.e. the kind of activities undertaken) may influence the over-representation of certain recommendations in certain regions. Alternatively, it is possible that conditions in particular regions make recommendations in specific areas more likely. These hypotheses will be explored in greater detail in subsequent QA Annual Reports.

Table 8
Percentage of select QA recommendations, broken down by region

Div.	% of QA reviews	% of projects with recommendations for....									
		Impl. issues	GAC	M&E	Targ.	Econ. Analysis	Log frame	Complexity	Rural Finance	Infra.	Project Financing
APR	25	25	24	23	20	33	29	37	19	36	17
WCA	23	25	19	27	26	28	20	20	12	18	33
ESA	25	19	20	21	13	11	17	10	8	0	17
NEN	17	16	20	14	22	11	23	20	35	45	13
LAC	16	16	17	14	20	17	11	13	27	0	21

Note: Includes two sets of data for one project that was reviewed twice during 2011.

70. *QA Reviewer associations.* Statistical analysis also reveals that there are moderate and significant levels of association between QA reviewers themselves and particular recommendation areas²⁰. This finding implies that certain reviewers are inclined (due to training, competency, experience and affinity) to identify particular areas of weakness more often than others. Since some reviewers – though not all – are assigned to projects based on regional expertise and linguistic ability, their propensities to identify specific recommendation areas in some cases may influence regional – or corporate -- QA results. This relationship, and any potential impact on results presented in Table 8, will be considered in future QA Annual reports.
71. In addition, weaker – though still statistically significant -- associations are also present between the year a project was reviewed by the QA and specific recommendations²¹, implying that heightened awareness of a particular theme among the reviewer pool at a given moment in time may be linked to its frequency.

¹⁷ Pearson Chi-Square calculations for these variables produced insignificant and unassociated test statistics.

¹⁸ As a rule of thumb, categories are considered over-weight when the percentage share of observations is at least 10% more or less than what would be expected.

¹⁹ Only Infrastructure and Rural Finance show significant (but rather weak) associations with the region variable; based on Pearson Chi Square calculations, with significance of less than 0.05 on a two-sided exact test and Cramer's V measures greater than 0.25.

²⁰ The following QA Reviewer/thematic area pairs have Pearson Chi-Square statistics with significance of less than 0.05 using Fisher's 2-sided exact test and have significant Cramer's V statistics greater than or equal to 0.5: Economic and financial analysis; Governance and Anti-corruption frameworks; Risk mitigation; and Scaling-up.

²¹ The following Year/Thematic recommendation area pairs have Pearson Chi-Square statistics which are significant using 2-sided test and have significant Cramer's V statistics greater than or equal to 0.23: Economic and financial analysis; Governance and Anti-corruption frameworks; Monitoring and Evaluation; Rural Finance; Subsidies; and Supervision.

This phenomenon can be seen in the results for 2011, where the percentage of projects registering recommendations in the area of Economic and Financial Analysis nearly doubled in the same year when an effort to review IFAD's approach to economic and financial analysis was also launched.

72. Although characterized by moderate or weak associations, the findings of the recommendation analysis suggest that additional measures should be put in place to increase the consistency of the recommendations emerging from QA reviews.

Quality cycle analysis

73. As a final element of the portfolio analysis, the QA secretariat aggregated data from other segments of the project cycle in an attempt to draw lessons regarding the usefulness of quality assessments in influencing project design.
74. Correlations between the Key Success Factor ratings produced during Quality Enhancement reviews, the QA's RMF indicators and the Programme Management Department's Project Supervision Report (PSR) data were produced and analyzed. The results, a number of weak correlations, confirm that the two systems are not aligned, and cannot reliably be used in conjunction with one another to track changes in project quality over the design cycle.
75. Surprisingly, another data point, the amount of time between QE and QA reviews, revealed no significant relationship with respect to the QA's RMF ratings data at the portfolio level. Further analysis will be undertaken in future years to reconsider this linkage at the annual and region level as more data becomes available; intuitively – and based on experience with specific projects as mentioned in paragraph 31(b) -- there should be a relationship between the amount of time taken to improve a project design and project quality at entry.
76. Finally, some very preliminary evidence exists to support the notion that the likelihood of achieving development objectives, as scored by the QA, and the same measure produced by the PSR reviews process are moderately and significantly associated.²² This finding is constrained by a lack of data and will be studied in greater detail in future years to determine whether a predictive or causal link is present.

Conclusions

77. Currently, the statistical evidence suggests that increases in the level of financing, co-financing and the number of beneficiary households supported have no significant correlation at the portfolio level to the quality-at-entry of IFAD's project designs, as measured by the QA's RMF ratings. This finding supports the 2011 annual finding that overall project quality has not fallen during IFAD's continued period of expansion.
78. Moderate and significant associations between the likelihood of achieving development objectives and region suggest that more analysis should be conducted into understanding drivers of this relationship.
79. Many of the most frequent issues flagged by the QA review process are systemic in nature (they affect many IFAD projects), and have no association at the regional level. Moreover, some of these same recommendation areas are moderately associated with specific reviewers. This has several implications for the QA process:
- (a) First, some issues (such as implementation arrangements) may not be able to be completely "designed away", and they should therefore be expected given the nature of IFAD's specific mandate. (Nevertheless, this does not excuse poor design, as by the same token such issues should be anticipated and mitigated to the extent possible).

²² As measured by a Chi-Square statistic with a Crammer's V value of 0.374 and a significance (2 sided) of .079.

- (b) Second, some recommendation areas arise from policy or process weaknesses (GAC frameworks, economic analysis) and therefore could be remedied through targeted change initiatives (modified policies, training courses, revised processes or templates).
 - (c) The QA Secretariat must ensure a greater level of consistency and diversity in the recommendations proposed by QA reviewers (perhaps by using checklists or some other device for ensuring that certain design elements are considered by every reviewer).
80. While some of the findings suggest that particular regions or sectors may be linked to weaker project design or particular recommendation areas, the statistical evidence is too weak and the QA Secretariat's database too limited to draw any general conclusions at this time. To further explore these relationships going forward, the QA Secretariat will refine and test its database capabilities in 2012 as part of the QA Knowledgebase pilot.
81. The findings suggest that thought should be given to further standardizing Quality and PSR ratings systems so that the indicators can be used as tools for tracking and evaluating improvements in project design and predicting areas of weakness during implementation. In this regard, moderate and significant association between the likelihood of achieving development objectives between the QA and PSR assessments provide an area for further statistical testing and analysis going over the medium term. To date, limited availability of project data at the implementation stage hinder the conclusions which can be drawn from this finding.

Annex I: Quality Assurance process

Quality enhancement system

1. The QE approach is structured to be supportive of the project design teams throughout the design process, whilst also providing a detailed and objective technical review of project proposals. QE is internal to PMD and is the responsibility of the Policy and Technical Advisory Division. Since 2008 this has replaced the review-only approach used previously and has resulted in the Technical Advisers (and Senior Technical Advisers) in PTA becoming progressively more involved in all aspects of the design and implementation – from Inception through to Completion. This has occurred to the extent that this is now the major task within PTA's work programme, and this is reflected in the Division's Management Plan as its number one objective.
2. To guide both the design teams and the reviewers, PTA has defined the quality standards expected to be reached in all project designs. These are in the form of "Guidance Notes for the Application of Key Success Factors (KSFs) in Project Design" which have been distilled from an exhaustive analysis of the factors which have led to successful IFAD projects. These were tested and implemented over an initial two year period and contributed to the re-definition of IFAD's business model. The KSFs are not only based on the IFAD design approach, they are also presented in the same order followed by most design reports, hence helping to structure the logic and data needed by design teams.
3. For all projects, PTA designates a Lead Adviser (LA) at an early stage (usually post-COSOP) to "shepherd" the evolution of the emerging project design in terms of organising inputs from PTA staff members at appropriate times. This frequently includes being a member of the CPMT. When requested by the Regional Division, the LA recruits a QE review team with the range of skills appropriate to the thematic areas of the development proposed, and comprising both IFAD staff and external consultants, to undertake the detailed QE review. This team normally comprises between 5 and 7 reviewers. Whilst many minor issues which are identified can be resolved through informal discussions between the design team and the reviewers, the major issues inevitably require a more formal discussion and this takes place in the form of the QE Panel. All projects are required to undergo a QE Panel discussion, even when IFAD is the co-financier and the review process is being led by the main financier.
4. The Panel discussion is based on a self-assessment of the project design which is prepared by the design team (and is based on completing a Maturity Assessment Template) and the summary analysis prepared by the QE reviewing team (the Reviewers' Recommendations Note), which is required to include suggestions to address the outstanding issues identified. Both these inputs are structured by KSF, as are the panel discussions. The outcome of the discussions is an agreed way forward to finalise the design; this is recorded in the Panel Report, which subsequently goes to QA. Significantly, the Panel Report converts the suggestions to a set of agreed recommendations, to be addressed before QA and described in a compliance note. The LA remains accessible to the design team throughout and frequently supports the CPM during the QA meetings.

Quality assurance review

5. Providing the final quality checks on the project design report, the QA review is the last stage in the overall quality enhancement system before a project proceeds to loan negotiations and then the Executive Board for approval. The table below outlines the different steps involved in the two-week QA review.

Procedures in the quality assurance process

<i>Steps</i>	<i>Action</i>	<i>Actors</i>	<i>Timing</i>
Step 1	Submission of project documents	CPM	4 weeks before QA review (12 weeks before the Executive Board)
Step 2	Questions from reviewer and CPM's written response	Reviewer	1 week before QA review
Step 3	First QA meeting: – Discuss questions and answers and potential recommendations	Reviewer, CPM	During first week of QA review
Step 4	Draft recommendations submitted	Reviewer	1 day after first meeting
Step 5	CPM comments on draft recommendations (agree/disagree)	CPM	2 days after first meeting
Step 6	Meeting between VP and lead reviewer – Discuss recommendations and CPM response – Discuss whether to proceed to the Executive Board	Lead reviewer and VP	Beginning of the second week of QA review
Step 7	Second QA meeting: – Discuss recommendations CPM disagreed with – Suggest changes to recommendations	CPM, VP, director, reviewer, AVP	During second week of QA review
Step 8	Finalize QA recommendations and ratings	Reviewer	Day after second meeting
Step 9	VP endorses recommendations	VP	Friday of second week of QA review
Step 10	Wrap-up session – Discuss project design, IFAD policy issues that arise during the QA process – CPMs provide feedback on the process	VP, AVP, directors, CPMs	Friday of second week of QA review

Note: AVP: Associate Vice President; VP: Vice-President

6. Typically, there is an important interval of time between the QE and QA reviews, during which time the CPM undertakes a field mission and carries out additional studies. Several weeks prior to the QA review, CPMs submit the project documents, which include: the project design report; all working papers; the compliance note; the QE panel report; the reviewer recommendation note; the management assessment template; the country strategic opportunities programme; and any evaluation reports or supervision reports on related projects.
7. The external QA reviewer performs a desk review of these project documents and assesses whether the issues raised by the QE panel have been adequately addressed. He or she also identifies any additional issues requiring attention, and gives an opinion on whether the project is likely to achieve its development objectives taking account of the institutional and supervision arrangements provided. Based on this desk review, the QA reviewer prepares a list of discussion questions for the CPM. The CPM provides a brief written response to these questions prior to the first QA meeting between the QA reviewer and CPM.
8. During the first QA meeting, any questions that require further clarification are discussed together with any other issues that may arise during the meeting. Based on the discussions, the QA reviewer prepares a set of recommendations, which are shared with the CPM who is asked to agree/disagree with them. These recommendations are also shared with the lawyer and loan officer assigned to the country to ensure the feasibility of the recommendations. The recommendations with the comments of the CPM, lawyer and loan officer serve as the basis of the second QA meeting.

9. Prior to this meeting, the Vice-President reviews the initial questions with their responses and the recommendations with the CPM's comments, and meets with the reviewer to raise additional issues and give an opinion on the recommendations. The final QA meeting involves principally the Vice-President, the Associate Vice-President and the CPM and director concerned, but it may also include the lead adviser from the QE review and the relevant lawyer or loan officer. During this meeting, the recommendations on which the CPM disagreed are discussed together with any other issues that may have arisen after the initial meeting. Agreement on the recommendations is sought and ways to achieve them are discussed. Based on the discussions in this meeting, the final QA minutes are prepared specifying the recommendations that the CPM has agreed to address and indicating whether the project is cleared to proceed to loan negotiations and the Executive Board. These minutes are signed by the Vice-President and guide the loan negotiations.
10. At the conclusion of the QA session, a wrap-up meeting is held. It is chaired by the Vice-President and involves the Associate Vice-President and the CPMs and directors who participated in the QA review. Its purpose is to discuss the policy and strategic issues that have emerged during the QA reviews and any recommendations on how to improve the QE and QA processes. These issues are documented and shared with the participants prior to the meeting, which results in productive discussions on feasible next steps. Thus, these wrap-up meetings serve as an effective feedback loop to PMD on how to improve project design.
11. One year after the project's first disbursement, the CPMs are expected to report on progress made in implementing the QA recommendations. The QA secretariat is responsible for reviewing the progress report and ensuring that the QA recommendations have been adequately addressed. This step is essential to ensure compliance and assess the efficacy and relevance of the QA review.

Annex II: List of QA reviews and reviewers in 2011

Table 1
QA Project Reviews and QA Reviewers, 2011

	Country	Project	Reviewer
	February session		
1	Sierra Leone	Smallholder Commercial Programme	Golan
2	Pakistan	Gwadar-Lasbela Livelihoods Support Project	Hartman
3	Madagascar	FORMAPROD	Steeds
4	CAR	Reviving Food Crop and Livestock Production	Steeds
5	Azerbaijan	Integrated Rural Development Project	Barghouti
6	Tajikistan	Livestock and Pasture Development	Golan
7	Eritrea	National Agricultural Project	Paul
8	Indonesia	Smallholder Livelihood Development Project in Maluku and North Maluku	Golan
9	Philippines	Integrated NRM Project (1st review)	Aklilu
	June session		
10	Laos	CB Food Security and Economic Opportunities Programme - Soum Son Seun Jai	Golan
11	Lesotho	Smallholder Agriculture Development Programme	Golan
12	Argentina	Inclusive Rural Development Programme	Gomez
13	Bangladesh	Hoar Infrastructure and Livelihood Improvement Project	Dahal
14	Ecuador	Buen vivir" Rural Support Programme	McDonald
15	Ethiopia	Rural Financial Intermediation Programme II	Golan
16	Ghana	Rural Enterprise Programme - III	Golan
17	Honduras	Competitiveness and Sustainable Rural Development Project in the Northern Zone	Redwood
18	Mauritania	Projet de Lutte contre le Pauvrete dans Aftout	de Haan
19	Rwanda	Project for Rural Income through Exports	Lucani
20	Senegal	Support Programme to Agricultural Development and Rural Entrepreneurship	Steeds
21	Zambia	Smallholder Productivity Promotion Programme	Paul
	September session		
22	Albania	Mountain Business Competitive Programme	Gomez
23	Bosnia & Herzogovina	Rural Business Dev Programme	Hartmann
24	China	Guangxi Integrated Agricultural Deveopment Project	Aklilu
25	Colombia	Building Rural Entrepreneurial Capacities Project	Barbery
26	Egypt	Promotion of Rural Incomes through Market Enhancement	Hartmann
27	Guinea	Programme National d'Appui aux Acteurs des Filières Agricoles	Steeds
28	Malawi	Sustainable Agricultural Production Programme	Paul
29	Niger	PNAAFA	Steeds
30	Sri Lanka	Iranamadu Irrigation Dev Project	Aklilu
31	Sudan	Seed Development Project	Golan
32	Timor Leste	Drums for maize project	de Haan
33	Yemen	Rural Employment Programme YemenInvest	Golan
34	Liberia	Smallholders Tree Crop Revitalization Support Project	Lucani
35	Philippines	Integrated NRM Project (2nd review)	Redwood
	Stand-alone reviews		
36	Bolivia	Natural Resources Management Programme	Redwood
37	Congo	Programme d'Appui au Développement des Filières Agricoles	Steeds
38	Cote d'Ivoire	Projet d'appui à la production agricole et à la commercialisation	de Haan
39	India	Integrated Livelihood Support Project	Golan
40	Morocco	Agricultural Value Chain Development Project in the Mountain Zones of Al-Haouz Province	Hartmann

Annex III: Quality-at-Entry Indicators, by Region

Division (# of projects '08-'10)	RMF Indicators	Average rating					Satisfactory or better ratings (percentage)				
		2008	2009	2010	2011	2008- 2011	2008	2009	2010	2011	2008- 2011
APR (35)	RMF 1	3.9	4.2	4.3	4.6	4.3	57	90	88	91	82
	RMF 2	4.1	4.2	4.4	4.5	4.3	71	80	88	91	83
	RMF 2D	3.6	4.1	4.4	4.5	4.2	71	80	75	91	79
	RMF 3	3.9	4.0	4.1	4.1	4.0	57	80	88	82	77
	RMF 4	4.1	4.0	4.1	4.3	4.1	57	70	63	82	68
	Overall	4.0	4.1	4.3	4.4	4.2	57	70	75	82	71
ESA (25)	RMF 1	4.8	4.9	4.6	4.1	4.6	100	100	100	86	97
	RMF 2	4.9	5.0	4.6	4.3	4.7	100	100	100	100	100
	RMF 2D	4.8	4.6	4.7	4.1	4.6	100	100	100	86	97
	RMF 3	4.4	4.6	4.4	3.7	4.3	100	100	100	71	93
	RMF 4	4.5	4.8	4.7	3.6	4.4	100	100	100	57	89
	Overall	4.7	4.8	4.7	3.9	4.5	100	100	100	57	89
WCA (32)	RMF 1	4.8	4.8	4.6	4.5	4.7	100	100	100	90	98
	RMF 2	4.9	4.9	4.6	4.4	4.7	100	100	100	90	98
	RMF 2D	5.0	4.8	4.4	4.7	4.7	86	89	80	100	89
	RMF 3	4.6	4.3	3.9	4.2	4.3	88	67	60	90	76
	RMF 4	4.4	4.4	4.1	4.3	4.3	88	89	60	80	79
	Overall	4.7	4.6	4.3	4.4	4.5	88	89	60	90	82
LAC (22)	RMF 1	4.0	5.0	5.0	4.6	4.7	80	100	100	100	95
	RMF 2	4.1	5.5	5.1	4.8	4.9	80	100	100	100	95
	RMF 2D	4.1	5.6	5.3	5.2	5.1	80	100	100	100	95
	RMF 3	4.1	4.9	4.5	5.0	4.6	80	100	75	100	89
	RMF 4	3.8	4.9	4.6	4.2	4.4	80	100	75	100	89
	Overall	4.0	5.1	4.8	4.8	4.7	80	100	75	100	89
NEN (24)	RMF 1	4.4	4.3	4.6	4.6	4.5	75	83	100	100	90
	RMF 2	3.8	4.0	4.6	4.4	4.2	50	67	100	100	79
	RMF 2D	3.5	3.9	4.4	4.4	4.1	50	67	100	100	79
	RMF 3	4.4	3.9	3.7	4.3	4.1	100	67	57	86	78
	RMF 4	4.4	4.3	3.9	4.4	4.3	75	83	57	100	79
	Overall	4.2	4.1	4.2	4.4	4.2	75	83	71	100	82