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## IFAD's Decentralization Experience

CORPORATE-LEVEL EVALUATION





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of Evaluation



## **IFAD's Decentralization Experience Corporate-level Evaluation**

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## Foreword

The Independent Office of Evaluation conducted a corporate-level evaluation of IFAD's decentralization experience in 2016, covering the period from 2003 through mid-2016. The overarching objectives of this evaluation were to assess and generate learning to strengthen future strategies and plans on: (i) IFAD's decentralization experience and efforts, including the underlying assumptions; (ii) the contribution of IFAD decentralization to better operational performance and to achieving better development results; and (iii) costs of the decentralization process in relation to the results achieved.

When IFAD was established in 1974, the intention was to work through existing international organizations rather than for IFAD to have country offices. In 2003, the Executive Board approved the Field Presence Pilot Programme, leading to the establishment of 15 country offices. In 2011, the Board approved the IFAD Country Presence Policy and Strategy, setting a cap of 40 country offices. Later, this was raised to 50. As of mid-2016, 41 country offices had been established and 39 were operational.

The overall objectives and evolving design of the decentralization process were relevant to improve the development effectiveness of IFAD-funded operations. In particular, by bringing IFAD closer to its operation and to the country development context and actors, country presence was expected to improve project and strategy design and implementation support, enhance engagement in non-lending activities (partnership-building, knowledge management and policy dialogue), improve alignment with country systems and donor coordination, and contribute towards system-wide coherence of the United Nations.

While the objectives were valid, some assumptions were not fully realistic. For example, it was expected that decentralization could be cost-neutral, against the evidence of many other international organizations. There was a mismatch between a wide range of expected objectives and limited staff and financial resources. Initially, the focus was put on expanding country presence and less on re-organizing and adjusting the headquarters, which is an important element for a decentralization process.

This evaluation finds that, as expected, by introducing country presence, IFAD improved its understanding of the national development context and its capacity to provide timely and responsive implementation support to its operations, filling a major gap in its traditional business model. In turn, IFAD's enhanced implementation support capacity contributed to better development results, notably in terms of impacts on the ground, gender equality, sustainability of benefits, innovation and scaling up.

Country presence was instrumental to improve partnerships with governmental actors and international donors. It contributed less than expected to knowledge management and policy dialogue. This was partly due to the limited human and financial resource available at the country-office level for non-lending activities. Moreover, engagement in policy dialogue largely depended on relevant interests and experience of individual staff members.

Overall, IFAD was able to contain the costs associated with decentralization. However, not all the options available for re-organizing headquarters and reducing costs have been explored. Moreover, while country offices had adequate resources for managing the lending portfolio and for implementation support, resources were constrained for non-lending activities, such as knowledge management, partnership-building and policy dialogue.

Moving forward, one of the main challenges to the decentralization process is to find a right balance between operational efficiency and cost sensitive approach with the need to deepen and strengthen country presence, in order to further enhance the quality of operational performance and development results.

This evaluation report includes the Management's response, presenting the IFAD Management proposals on ways to implement the evaluation's recommendations. I hope that the important work undertaken in this evaluation will enable IFAD to move forward and further enhance its country presence and ultimately its development effectiveness.



Oscar A. Garcia  
Director  
Independent Office of Evaluation of IFAD

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## Abbreviations and acronyms

ACD	Accounting and Controller's Division
ADB	Asian Development Bank
ADM	Administrative Services Division
AfDB	African Development Bank
APR	Asia and the Pacific Division (IFAD), or region
ARRI	Annual Report on Results and Impact of IFAD Operations
CFS	Controller's and Financial Services Division
CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
CPCG	Country Presence Coordination Group
CPE	country programme evaluation
CPM	country programme manager
CPO	country programme officer
EBRD	European Bank for Reconstruction and Development
ECD	Environment and Climate Division
ESA	East and Southern Africa Division (IFAD), or region
FAO	Food and Agriculture Organization of the United Nations
FMD	Financial Management Services Division
FPPP	Field Presence Pilot Programme
FSU	Field Support Unit
GS	General Service (staff)
HQ	headquarters
ICO	IFAD country office
ICT	Information and Communications Technology
IFI	international financial institution
IOE	Independent Office of Evaluation of IFAD
LAC	Latin America and the Caribbean Division (IFAD), or region
M&E	monitoring and evaluation
MDB	multilateral development bank
NEN	Near East, North Africa and Europe Division (IFAD), or region
NLA	non-lending activity
OECD	Organisation for Economic Co-operation and Development
PBAS	Performance-based Allocation System
PCR/V	project completion report validation
PMD	Programme Management Department
PPA/PE	project performance assessment/project evaluation
PSR	project status report
PTA	Policy and Technical Advisory Division
RSP	rural sector performance
SKD	Strategy and Knowledge Department
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WCA	West and Central Africa Division (IFAD), or region
WFP	World Food Programme

### Labels of the statistical analysis (difference of means)

- \* Weakly significant if the P value was greater than 0.05 and less than or equal to 0.10.
- \*\* Moderately significant if the P value was greater than 0.01 and less than or equal to 0.05.
- \*\*\* Strongly significant if the P value was less than or equal to 0.01.



## Overview

1. The Independent Office of Evaluation of IFAD (IOE) conducted a corporate-level evaluation (CLE) of IFAD's decentralization experience this year, following the decision of IFAD's Executive Board in December 2015. The evaluation was undertaken within the framework of the IFAD Evaluation Policy (2011) and followed the methodological principles set out in the second edition of the Evaluation Manual (2015). This evaluation will inform the preparation of the corporate decentralization plan that IFAD Management will present to the Executive Board in December 2016.
2. With a view to strengthening future strategies and plans, the overarching **objectives** of this CLE were to assess and generate learning on: (i) IFAD's decentralization experience, efforts and underlying assumptions; (ii) the contribution of IFAD decentralization to better operational performance and better development results; and (iii) costs of the decentralization process in relation to the results achieved.
3. **Evaluation methodology.** There are both formative and summative aspects of this evaluation because IFAD is still rolling out its decentralization strategy. A distinguishing feature of the formative aspects was the attention devoted to learning and promoting dialogue with IFAD Management and other concerned stakeholders at key stages in the evaluation process, particularly through regional consultation workshops. As for the summative part of the evaluation, with the passage of over a decade of operations for some IFAD country offices (ICOs), data on operational performance and development results are available to assess the extent to which anticipated outputs and outcomes have been produced and results achieved. This provided the basis for an overall assessment of IFAD's decentralization efforts and generated lessons for the future.
4. The CLE covered the period from 2003 through mid-2016. It was anchored in three internationally recognized evaluation criteria: relevance, effectiveness and efficiency. The evaluation used mixed methods and collected both quantitative and qualitative information and data from a range of sources, including:
  - (i) a desk review of key documents prepared by IFAD and comparator organizations (multilateral development banks and the Rome-based United Nations agencies);
  - (ii) analysis of quantitative data, including from the Annual Report on the Results of IFAD Operations database and other IFAD databases;
  - (iii) an electronic survey targeted at IFAD staff and stakeholders. Survey questionnaires were sent to a total of 1,987 recipients (both IFAD staff and external). The total response rate was 62 per cent;
  - (iv) key informant interviews in IFAD with representatives of governing bodies, Senior Management and staff;
  - (v) four regional consultation workshops held between May and July 2016 at headquarters for the Near East and North Africa region, in Lima for the Latin America and the Caribbean region, in Nairobi for both the East and Southern Africa region and the West and Central Africa region, and in Hanoi for the Asia and the Pacific region, attended by project managers, representatives of governments, international organizations and IFAD Management and staff;
  - (vi) selected case studies in 13 countries (with and without an ICO): Burkina Faso, China, Democratic Republic of the Congo, Ecuador, Egypt, Georgia, India, Kenya, Nicaragua, Peru, Philippines, United Republic of Tanzania and Viet Nam.
5. **Timeline.** The evaluation was carried out in a record time. The Evaluation Committee considered the approach paper in March 2016. Preliminary findings

were shared with Management in July 2016. The draft report was shared with Management in early September and finalized in early October 2016. The final report is presented for the consideration of the Evaluation Committee in November, and will then be presented to the 119<sup>th</sup> session of the Executive Board in December 2016. This timeline was driven by the need to inform Management's corporate decentralization plan to be presented to the Executive Board in December 2016.

6. **The IFAD context for decentralization.** When the decision was taken to establish IFAD in 1974, a highly centralized structure was envisaged. The Fund would work through arrangements with international agencies rather than establish country offices. It was further to the Consultation on the Fifth Replenishment of IFAD's Resources that, in 2003, the Executive Board approved the Field Presence Pilot Programme (FPPP) for the period 2004-2006, leading to the establishment of 15 country offices. Following a CLE of the FPPP and further expansion of the programme, the Board approved the IFAD Country Presence Policy and Strategy (2011- 2013), capping the number of country offices at 40. Later, the IFAD Country Presence Strategy (2014-2015) raised the cap to 50. As of mid-2016, 41 country offices had been established of which 39 were operational.
7. IFAD's country presence has included four major configurations. The first was based on a national staff member – country programme officer – leading the office under the supervision of an international staff member based in Rome. The second was based on an international staff member – a country programme manager – outposted in a country and supported by national staff. The third to emerge was a subregional office led by an international staff member, providing services to neighbouring countries as well. The fourth was that of a regional office – established only in Kenya – led by an international staff member and with some decentralized financial functions covering the East and Southern Africa region and part of the West and Central Africa region.

## **Main findings**

### **Relevance**

8. **The objectives for the decentralization process were broadly valid.** Objectives did not change significantly after the 2007 Activity Plan for Country Presence which stated that country presence would enhance IFAD's development effectiveness notably by allowing IFAD to: (i) better adapt project designs to the country context and provide cost-effective implementation support; (ii) play a catalytic role in non-lending activities (policy dialogue, partnership-building and knowledge management); (iii) better align itself with country strategies and donor coordination mechanisms; and (iv) participate in the One United Nations Initiative.
9. **Some assumptions were not realistic.** Three interrelated assumptions were critical: (i) cost-neutrality; (ii) experimentation with country presence modalities without a clear standardized corporate approach; and (iii) expansion of country presence without headquarter reforms.
10. The first assumption (that decentralization could be cost-neutral) was not supported by the experience of many other international financial institutions and United Nations agencies, which pointed to improved organizational and development effectiveness but also to increased costs. Linked to this assumption was the "light touch" approach to country presence (i.e. very small country offices with limited staff and financial resources) despite high expectations in terms of functions to be performed (e.g. supporting portfolio implementation, engaging in non-lending activities and contributing to the one United Nations). It should be noted that IFAD-funded projects are often located in remote areas. This implies that a significant part of country office staff time is spent travelling and visiting these areas, reducing the time available for non-lending and other activities. In sum, there was a mismatch between expectations and the resources made available to country offices.

11. The second assumption was that each regional division could experiment with different modalities for country presence without an analysis of the advantages and disadvantages of alternative options or a structured corporate approach. With a clearer corporate approach and an analysis of resource needs and expected benefits of different country presence modalities, common lessons and good practices could have been identified earlier.
12. The third assumption was that changes should focus on country presence expansion without significant adjustments and reforms being made at headquarters. Experience at comparator organizations shows that decentralization requires both central and peripheral changes. Country offices require different types of support (e.g. administrative, operational, technical and financial) and the locus and focus of such support need to be reviewed through a functional analysis that may result, inter alia, in transfer of staff and authority from headquarters to the field. This aspect was acknowledged late in the decentralization process.
13. **The internal enabling context.** The Executive Board has been updated at least once yearly on the evolution of the decentralization process and has taken all major decisions. However, the Board has not been supported by an adequate system to monitor and report on operational performance, results and cost-efficiency of country presence. The monitoring indicators for ICOs were inadequately defined, lacked cost and efficiency indicators and were not well integrated into IFAD's information management and reporting systems.
14. Initially, headquarters staff were reluctant to move or see their roles reduced and regional divisional directors resisted a reduction in direct control. More recently, middle managers and staff have been more supportive. Although strategic workforce planning has taken account of decentralization, Management has been disinclined to implement a major adjustment of staff at headquarters or to re-examine the overall organizational model.
15. **Use of learning from previous evaluations and the experience of other agencies was not optimal.** The 2007 CLE on FPPP indicated that, without significant institutional reorganization, decentralization would have incremental costs. This aspect initially received limited attention as, at that time, increasing country presence was considered as the priority. The 2007 CLE also stated that subregional models could have significant cost-efficiency benefits and should be piloted. Management was not fully convinced of this recommendation at that time but the model is now being actively considered.
16. The experience of other international organizations also pointed to the need to re-organize the headquarters and the relationship and locus of a number of activities between headquarters and the field. By 2013, based on its own experience and potential to achieve economies of scale, IFAD could have undertaken a more structured functional analysis of what was best done at headquarters and what was best done at the country level, leading to a more informed approach.

## **Effectiveness**

### **Contribution to improved operational performance**

17. **The establishment of country offices contributed to better design and performance of country strategic opportunities programmes (COSOPs).** The analysis of country programme evaluations shows that the presence of ICOs is associated with more relevant COSOPs that better respond to country priorities and local needs. Country presence brought about better understanding of the institutional and policy context of countries and led to more regular and in-depth consultations with partners.
18. **Country presence has notably contributed to project implementation support which, in turn, has enhanced project effectiveness.** Even well-designed and -managed projects are bound to face blockages during

implementation. The presence of IFAD staff to interact with stakeholders on demand allows for enhanced responsiveness and problem resolution while avoiding protracted correspondence and delays.

19. Ratings for project effectiveness were found to be significantly higher in countries with ICOs (where an ICO was operational for at least two years before completion) than in those without. While many factors other than the work of ICOs influence project performance, CLE interviews and case studies convincingly illustrated how country offices facilitated these results by strengthening implementation support.
20. **Regarding non-lending activities, the contribution of country presence to partnership-building was notable but was more limited with respect to knowledge management and policy dialogue.** In terms of partnerships with governments, the improvements in frequency and quality of dialogue with national counterparts were remarkable. Country presence was positively correlated with higher domestic financing. It also contributed to better information sharing and to IFAD's participation in sectoral donor coordination groups. For selected multilateral donors (e.g. the European Union and African Development Bank), ICOs contributed to mobilizing additional international financing.
21. Country presence helped establish more regular contact with Rome-based and other United Nations agencies but did not strengthen substantive and programmatic collaboration. IFAD staff viewed their participation in United Nations initiatives as a lower priority, given that IFAD's operating model is different and closer to that of multilateral development banks (MDBs).
22. With regard to knowledge management, the contribution was more limited. Project teams and ICOs have organized some knowledge initiatives and products; however, several factors constrain the flow of knowledge, notably: (i) weaknesses in the monitoring and evaluation (M&E) systems; (ii) the absence of a platform that simplifies search and retrieval of knowledge products prepared by country offices and project teams; and (iii) limited human and financial resource availability at the country office level.
23. Although there are positive examples of country-level policy dialogue involving ICOs, this has not happened systematically. Relatively little ICO staff time has been allocated to policy dialogue because of the size of the offices and competing priorities. Country office staff generally understand that 50 per cent of ICO time should be devoted to operational matters but expectations for work on policy, knowledge management and in-country dialogue have been growing.
24. Coverage of policy dialogue issues in COSOPs and project design documents was largely determined by the interests, experience and initiatives of country programme managers (CPMs). Staff performance assessments are more heavily driven by project approvals, successful implementation and ensuring sound fiduciary matters than by non-lending activities. That is one reason why over-stretched country office staff allocate relatively little of their time to policy dialogue. In addition, expectations are not sufficiently differentiated across the ICO categories. Country programme officer-led ICOs have a lower level of human and financial resources than CPM-led ones and cannot be expected to engage in the same envelope of activities.

#### **Contribution to development results**

25. **There is some evidence that country presence supported IFAD's efforts to reduce rural poverty and enhance gender equality.** IOE evaluation ratings for household incomes and assets and for food security and agricultural productivity were significantly higher in countries with ICOs. Although many other external factors intervened, there is some plausible association between the work done by country offices in supporting portfolio implementation, problem-solving and facilitating contacts with national counterparts and these development results.

26. Moreover, independent project evaluations found that gender equality results were better in countries with an ICO and this was reflected in significantly higher average ratings for gender equality and women's empowerment. As an explanation for attributing these project-level results to the country office, the CLE found that ICO staff had an important role in sensitizing project managers and government staff on IFAD's objectives in terms of gender equality and, in a broader sense, on the importance of gender equality for enhancing rural development and project impacts.
27. **Country presence was also associated with better prospects for sustainability of benefits, innovation and scaling up.** The analysis of independent project evaluations suggests that country presence was associated with higher ratings for sustainability of benefits. In addition, country presence was associated with two drivers of sustainability identified in the 2015 Annual Report on Results and Impact of IFAD Operations: integration of project objectives into national development strategies and setting clear and realistic strategies for gender mainstreaming. Project evaluation ratings for innovation and scaling up were significantly higher in countries with ICOs. This may be partly explained by the enhanced opportunities provided by stronger partnerships with government and other international organizations, notably donors.
28. **Differences between country offices led by international and by national staff.** Contrary to initial expectations, while there were instances when offices led by international staff delivered better results, for many indicators, there was no observable difference between the two models. It is to be recognized that few offices led by international staff have been in operation for a significant number of years and, in some ICOs, there has been turnover of international staff. Moreover, experienced senior national staff may be more familiar with the history of projects, specific issues with the government and local context, while international staff are working on a learning curve.
29. However, this CLE recognizes that outposted international staff have responsibilities that cannot be assumed by national staff, and international staff often have a higher formal level of access to the government and the international community than national staff. In any case, the implication of the above findings is that national staff play an important role in helping IFAD deliver better operational performance and development results.

## **Efficiency**

### **Management of costs**

30. **While opening country offices implies additional costs, this has not led to an administrative budget escalation.** Between 2007 and 2011, an important factor was the termination of the agreement with the United Nations Office for Project Services (UNOPS) on project supervision and the shift to direct supervision by IFAD in 2007. This important transition allowed IFAD to use the budget previously dedicated to UNOPS-led supervision and overhead costs for funding IFAD direct supervision and country presence expansion costs. Further expansion of country presence was funded out of a flat Programme Management Department (PMD) budget between 2011 and 2015, until 2016 when IFAD acknowledged that decentralization entailed higher costs. Overall, IFAD has been able to contain the costs associated with decentralization.
31. However, two qualifications can be made. First, not all the available options for headquarter reorganization and cost reduction have been explored, and resources could have been freed up to buttress country presence. Second, one consequence of maintaining a flat budget while expanding country presence was the limited staffing and resourcing of country offices with respect to the range of activities that they were expected to carry out. The findings of this CLE on effectiveness suggest that country offices were equipped with sufficient capacity to work on country

programme and project design and on implementation support, but far less so on the non-lending activities.

32. **PMD headquarters staffing levels have remained almost unchanged since 2008.** The total number of PMD budgeted positions grew from 194 in 2008 to 305 in 2016, while the number of ICO staff has increased over the same period from 5 to 107: this reflects a slight increase in staff at headquarters. Readjusting headquarters functions and staff was an avenue to provide more resources to the country offices and reap cost-efficiency gains, but IFAD has not pursued this to a significant extent, with the exception of outposting international country programme managers.
33. **An assessment of the cost of managing a country programme under a different country presence modality could have provided IFAD with early feedback on the most efficient options for expanding country presence.** In order to optimize the benefits of decentralization under budget constraints, an important exercise, as a part of an overall functional analysis, was to assess the cost of managing a country programme under different modalities (e.g. headquarters management, as traditionally done; management by a country office; and management under different country office configurations).
34. The cost of managing a country programme is higher than that of running a country office (i.e. country office staff and non-staff costs), as it includes travel costs and, importantly, imputed costs of the staff time at the headquarters supporting the country programme. This assessment of costs had not been conducted before at IFAD and has been attempted by this CLE for the first time. One of the constraints was that the costs were not easily available as they were fragmented under various rubrics (e.g. staff costs, non-staff administrative costs, staff travel) in different databases. Moreover, imputed headquarters costs had to be worked out through assumptions under different configurations of country presence. The main report (tables 5 and 6) presents the results of the estimation of average programme management costs per country and per project, disaggregated by different country presence configurations.
35. **The subregional hub configuration is competitive compared to other forms of country presence in terms of average costs per country and per project, and presents organizational advantages.** In terms of costs, the advantage is that subregional hubs can serve multiple countries (typically 3 or 4) without having to replicate the country office structure in each of them. In other words, even if a subregional hub has higher staffing and administrative costs compared to an office led by a national or an international staff member that covers a single country, a hub displays economies of scale and scope that lead to efficiency gains when calculated on a per country or a per project basis.
36. As observed during this CLE from country studies and from conversations with government representatives, project managers and IFAD staff during the regional workshops, subregional hubs also have organizational advantages. Strategically, they facilitate cross-border approaches and engagement in subregional forums and initiatives. They provide better continuity and flexibility in serving countries, despite staff turnover. They enhance rationalization of staff and consultants and could host regional or subregional technical advisers. However, there is a danger of a drift towards hubs based on the present structure without a functional analysis of the tasks to be performed by hubs and those to be performed at headquarters.
37. Therefore, opportunities exist to strengthen country presence from both an organization and an operational perspective, while realizing efficiency gains. This CLE further validated the above findings by conducting a modelling exercise (see main report, annex VII) which simulated a reorganization of the current country office configuration that relies more on subregional hubs and entails some reorganization at headquarters (e.g. transfer of junior international staff to the

field, reduction in General Service staff at headquarters and increase in national General Service staff). The modelling exercise illustrated possible savings in budgeted staff costs.

38. **The case for opening additional country offices requires better justification.** As of July 2016, the 39 functioning ICOs covered 76 per cent of IFAD's active project portfolio. If 10 additional country offices were added (according to the plans described in the update provided to the Board in April 2016), then the country offices would cover 83 per cent of IFAD's active portfolio, an increment of only 7 per cent, while incremental costs would be in the order of US\$2.5 million (about 15 per cent of the recurrent country office costs).
- Institutional structure and organizational arrangements**
39. **There have been considerable differences in decentralization modalities between regions.** Each regional division faces a different situation in terms of size and distribution of lending portfolio, fragility situations, communication infrastructure, airline accessibility and availability of qualified national staff. However, each division has developed its own modalities without a common reflection on options to strengthen country presence, contain costs and delegate authority to the field. More recently, all divisions have become interested in the hub modality but with different understandings of what this implies in practice.
40. **IFAD has not implemented a significant reorganization of headquarters staff** including, notably, adjustment of GS (General Service) staffing. The Asia and the Pacific Division (APR), the East and Southern Africa Division (ESA) and West and Central Africa Division (WCA) have now slightly more budgeted regular staff in the field than at headquarters. However, there is scope for further adjustments: 68 per cent of Professional staff remain at headquarters. Only WCA has more international staff in the field than in Rome. Two thirds of General Service staff are still located at headquarters. The potential cost-savings of greater restructuring have not yet been realized.
41. Reorganization and decentralization have been undertaken in most of the MDBs and much of the United Nations system. Measures have often included a mixture of incentives (including for early retirement, severance pay), and willingness to terminate staff and adjust job profiles. International programme staff in most operational United Nations agencies are expected to move at least once every five years and there are similar requirements in some international financial institutions (IFIs). In 2016, the Human Resources Division and PMD have been implementing a pilot mobility programme within PMD to evaluate the applicability of a structured approach and to report to Senior Management by the end of the year.
42. **IFAD has introduced a number of improvements in the support functions to the country offices. However, the envisaged process of delegation of authority has progressed slowly.** The Field Support Unit in the Corporate Services Department has performed a valuable function and its support is appreciated by country offices. The Field Support Unit manages the capital costs of opening offices, the host agency service agreements and the host country agreements. It is responsible for security and provision of capital investments for security in ICOs. It has also prepared the ICO Handbook, which is a guide to the corporate policies and procedures of most relevance to ICOs.
43. There have been significant improvements in information and communications technology with respect to connectivity to the Internet, voice and video conferencing and corporate systems. The main challenges to full fruition of these advancements relate to local infrastructure in the concerned countries and practical organizational issues at IFAD (such as the timing of seminars and workshop vis-à-vis time zone differences).

44. The 2011 Country Presence Policy and Strategy envisaged stronger delegation of authority. In the past five years, progress has been limited. As an example, budget-holder responsibility remains with the regional directors. A six-month pilot initiative of decentralized budget-holding and other administrative responsibilities to the Viet Nam hub started in 2016. The Viet Nam office expressed general satisfaction and the assessment of the pilot initiative will be an important factor before extending arrangements to other offices. Senior country programme managers who are outposted understand the size of the supervision budget available and use it effectively but they must negotiate with the front office of their division, leading to inefficient use of time. Delegation of authority for communication is another area of concern for many CPMs heading ICOs, as they feel it has led to delays, lost opportunities and time-consuming discussion with headquarters.

### **Conclusions**

45. **The overall objectives and evolving design of the decentralization process were relevant to the achievement of enhanced development results but there are significant areas for improvement.** Many assumptions were well justified. However, some were not entirely valid, such as in the case of the “light touch” approach and cost-neutrality, as had also been the experience of comparator organizations. Adhering steadfastly to these assumptions created a mismatch between the aspirations for ICOs on the part of both IFAD and its clients and the ability of small offices to deliver the full range of desired services, notably non-lending activities. Moreover, the expansion of country presence had not benefited from a functional analysis to identify options that could maximize support to the country programme while containing unit costs, and was not accompanied by a commensurate attempt to reform or adjust arrangements at headquarters, which is a key element of a decentralization process.
46. **Findings on operational performance and development results attest to significant improvements at the portfolio level.** There is evidence that country offices played an important role in better aligning IFAD’s country strategies and programmes with local needs and priorities. Staff based in ICOs ensured follow-up, continuity of support and problem-solving capacity to project teams, which helped to enhance implementation quality. In terms of development results, the presence of country offices was associated with improvements in impact on household income and household food security and agricultural productivity, gender equality and women’s empowerment. Improvements were also noted in sustainability of benefits, innovation and scaling up and overall project achievements.
47. **However, non-lending activities – also a part of the country programme – were supported to a lesser extent.** Non-lending activities are ultimately expected to benefit the IFAD-funded portfolio and the country programme as a whole. There is evidence of notable improvements in partnerships with governments and increased participation in donor coordination groups. Contacts with Rome-based agencies and United Nations organizations have become more regular but this has not been reflected in a significant increase in overall programmatic collaboration.
48. Improvements in knowledge management and policy dialogue have been more limited, to a large extent due to the limited additional resources available to country offices for these activities and to the absence of a platform to facilitate access to country/project-specific knowledge products. Because of limited resources and competing priorities, relatively little ICO staff time was allocated to knowledge management and policy dialogue and there was no specific administrative budget line for country offices allocated to non-lending activities. Attention to these areas was largely dependent on the interest of country office staff and policy dialogue experience was not one of the criteria adopted for their selection.



49. **IFAD managed to expand country presence and avoid cost escalation. Yet, not all opportunities for cost-efficiency gains have been explored.** In particular, from 2011 until 2015, PMD absorbed cost increases with a flat budget in nominal terms. This does not appear to have compromised country strategy and programme management but it constrained non-lending activities. As noted, there has been no in-depth analysis of how to best assign functions between headquarters, ICOs and international/ national professionals at the country and subregional level.
50. While the number of country office staff has increased significantly, PMD staffing levels at headquarters have not been reduced. Moreover, under certain conditions, the twin objectives of strengthened country presence and greater efficiency gains could be achieved through the subregional hub modality. However, this needs to be based on a functional analysis and be accompanied by reorganization at headquarters.
51. IFAD's new business model initially emphasized expanding country presence, turning only recently to decentralization. **The priority is shifting from explaining the benefits of decentralization towards justifying continuing with centralized organization, authority and processes.** Despite the expectations set out in the 2011 Country Presence Policy and Strategy, this CLE noted the limited delegation of authority to senior CPMs for country budget-holding authority and communication.
52. Moving forward, if the volume of IFAD's programme of loans and grants experienced a sustained increase in the coming years, decentralization would need to be deepened and strengthened in order to be able to respond to the increasing demands and challenges and maintain/enhance the quality of operational performance and development results.

### **Recommendations**

53. **Recommendation 1. Consolidate IFAD's country presence while enhancing cost-efficiency.** The need to enhance the effectiveness and efficiency of the decentralization process was identified already by the 2013 CLE on IFAD's institutional efficiency. IFAD should strengthen its country/subregional presence and capacity in the field by building a "critical mass" and concentrating human and financial resources, rather than scattering them across an increasing number of offices. The subregional hub model has the potential to support such concentration and achieve economies of scale, if properly applied.
54. As a complementary effort to enhance effectiveness and efficiency, IFAD needs to implement a plan, based on functional analysis, to reduce staff at headquarters and increase the number of staff working near the country programmes, i.e. ICO staff, particularly where programmes are relatively large.
55. **Recommendation 2. Increase support for non-lending activities through decentralization to achieve stronger development results.** IFAD needs to introduce a more selective agenda for non-lending activities in its country strategies, based on consultation with national development partners. It should differentiate the non-lending agenda according to type of country office and their resource capacity and establish a dedicated budget line.
56. **Recommendation 3. Enhance delegation of authority.** Based on the assessment of the experience of the pilot in Viet Nam, IFAD should prepare a plan for delegating budget-holding authority to country directors, including provisions for training. It should also define a framework for further delegation of authority in relation to communication and for establishing a platform to facilitate access to analytical and knowledge products prepared by country offices and project teams.
57. **Recommendation 4. Enhance staff incentives and capacity to operate in a decentralized environment.** There is a need to strengthen incentives for

outposted staff, particularly if more staff are moved out of headquarters. It will be important to expand and better structure the orientation and mentoring programme, particularly for new staff with little previous exposure to IFAD. National staff need more recognition and empowerment, and in the case of national Professional staff, clearer post-grading criteria.

58. **Recommendation 5. Improve the quality of data, monitoring and self-assessment.** The IFAD accounting system needs to be adjusted so as to monitor more comprehensively the cost of country programme management under different ICO configurations. Indicators for ICO monitoring should be simplified and integrated into IFAD's management information and reporting systems. Finally, the new corporate decentralization plan should allow for periodic revision and reporting to the Executive Board for further guidance.

## IFAD Management's response

### Introduction

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

### Clarifications

6. Management notes that while the overall thrust of the CLE captures the main issues and challenges of decentralization, some key areas have not been accurately assessed. This section presents some clarifications to complement the content of the report.
7. **Context of IFAD's decentralization.** The CLE omits important information that would have contextualized IFAD's decentralization and provided a better understanding of its relevance. It is worth recalling that the decentralization process took place within a relatively short period and brought about a dramatic transformation of IFAD's business model. In 2006 – just 10 years ago – IFAD moved away from the cooperating institution model to carry out direct supervision and implementation support of its projects. Since then, its pilot field presence has rapidly evolved into a more structured country presence, which was formalized five years ago with the first IFAD Country Presence Policy and Strategy (2011). Today IFAD has more than 100 staff deployed in 40 ICOs, covering close to 80 per cent of IFAD's portfolio and serving 77 countries. The ICOs have provided vital support in the delivery of an increasingly ambitious programme of loans and grants – which

has more than doubled since 2006 – and in the supervision and implementation support of close to 250 projects per annum.

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

#### **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>
<p><b>1(a)</b> Reorganize ICOs around hubs; carry out functional analysis to guide establishment of hubs; be ready to close ICOs.</p>	<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>
<p><b>1(b)</b> Carry out functional analysis to rebalance staffing levels between HQ and the field.</p>	<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 country programme managers (CPMs) and country programme officers (CPOs) are being outposted/recruited in the field, and technical and fiduciary staff will be recruited/outposted to the hubs to create a critical mass in the field.</p>
<p><b>1(c)</b> Consider further decentralization of other functions (such as financial management).</p>	<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 Programme Management Department (PMD) and the Financial Management Services Division (FMD) to pilot the concept of progressive decentralization of FMD. If successful, this would be rolled out to other hubs.</p>

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

	<i>Management response</i>
<p><b>2(a)</b> Differentiate non-lending agendas and expectations by type of ICO.</p>	<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> 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> 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> 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> Management agrees with the principle of the recommended measure, but with some caveats.</p> <p>The Strategic Framework 2016-2025 calls for increased investment in strategic communications, recognizing that communication is crucial to operations. Management is committed to pursuing strategic, cost-effective communications to raise IFAD’s profile at project, country, regional and global levels.</p> <p>Greater decentralization will call for increased communications activity, and opportunities across IFAD but with increased risk of fragmentation of the brand and messages. Management intends to continue building a cohesive communications environment at IFAD.</p> <p>NLAs require a higher level of communication skills, and Management is planning measures so that operational staff acquire baseline abilities, to communicate effectively in carrying out their responsibilities and better manage communication resources.</p> <p>The experience of comparators (Food and Agriculture Organization of the United Nations, United Nations Development Programme, World Food Programme, World Bank) shows that country-level communications must be managed by communication professionals. Given the demand placed on the Communications Division by ICOs for professional communication support, Management will explore the feasibility of expanding the staff complement in hubs to include professional communication officers.</p> <p>While Management recognizes the existence of good knowledge-sharing platforms, mostly created under the initiative of regional divisions, these could be improved to better serve their purpose. Management will step up ongoing efforts to ensure that the knowledge generated is properly packaged and shared in-house and with clients, and to identify the right channels for that dissemination.</p>

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

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

	<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>



**Support Programme for Kenya Women's Finance Trust-Phase II. The Sisi Kwa Sisi women's group meets to discuss repayment schedule in Mombasa.**

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# IFAD's Decentralization Experience

## Corporate-level Evaluation

### I. Introduction and context

#### A. Introduction

1. **Background and definitions.** The term "decentralization" is generally understood as a process that involves the transfer of the authority and power to plan, make decisions and manage resources from higher to lower levels of an organizational hierarchy, in order to facilitate efficient and effective service delivery.<sup>1</sup> International financial institutions (IFIs) such as the World Bank, Asian Development Bank (ADB) and African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), and the Rome-based United Nations agencies have similar definitions.
2. The term was used for the first time in the IFAD 2013 Country Presence Strategy. Moreover, the Executive Board Update of April 2016, when reviewing the evolution of country presence (paragraph 45), states that, "It now encompasses many responsibilities at the country level, including portfolio management, policy engagement, knowledge management and partnership-building." The April 2016 Update goes on to explain that IFAD Management will present a new Decentralization Plan in 2016 to address: (i) optimal number and mix of country office types; (ii) levels and types of staffing needed in the country offices and headquarters; (iii) further delegation of authority to support decentralized operations, while ensuring financial and fiduciary controls; and (iv) the required human resource framework.
3. Key ingredients of decentralization include: (i) having a presence in a number of countries; (ii) recruiting staff in a set of countries; (ii) transferring staff from headquarters to some country offices; (iii) redistributing functions and some decision-making authority from headquarters to IFAD country offices (ICOs); and (iv) elaborating policies and rules in a number of areas to create an enabling environment while preserving fiduciary checks.
4. The decision to decentralize some of IFAD's functions by developing a country presence and establishing a large number of ICOs, in addition to introducing direct supervision, was a transformative organizational change to bring IFAD closer to its in-country partners. The decentralization strategy was viewed as a way for IFAD to improve its development effectiveness and cost efficiency. This change began in 2003 when the Executive Board approved the three-year Field Presence Pilot Programme (FPPP).<sup>2</sup> Until that point, and in line with the Agreement Establishing IFAD, the Organization did not have a permanent presence in developing Member States other than some ad hoc arrangements for out-posting country programme managers (CPMs, i.e. international professional staff) to a few Latin American countries, beginning with Peru in the mid-1990s. The FPPP involved establishing field presence in 15 countries (three in each of the five geographical regions), with the overall aim of enhancing the development effectiveness of IFAD activities. The Independent Office of Evaluation of IFAD (IOE) evaluated the FPPP in 2007.<sup>3</sup>

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<sup>1</sup> A classical definition of decentralization is that of Rondinelli, et al. (1981) and refers to decentralization in the government or civil service: "the transfer of responsibility for planning, management, and resource-raising and allocation from the central government to: (a) field units of central government ministries or agencies; (b) subordinate units or levels of government; (c) semi-autonomous public authorities or corporations; (d) area-wide regional or functional authorities; or (e) NGOs/PVOs". See Rondinelli, et al. (1981) *Government Decentralization in Comparative Perspective: Developing Countries*, *International Review of Administrative Science*, 47(2).

<sup>2</sup> FPPP design document: [www.ifad.org/gbdocs/eb/80/e/EB-2003-80-R-4.pdf](http://www.ifad.org/gbdocs/eb/80/e/EB-2003-80-R-4.pdf).

<sup>3</sup> Evaluation report: [www.ifad.org/gbdocs/eb/91/e/EB-2007-91-R-6.pdf](http://www.ifad.org/gbdocs/eb/91/e/EB-2007-91-R-6.pdf).

5. The Executive Board adopted IFAD's first country presence strategy in 2011. The strategy underlined the need to consolidate the offices in the 15 pilot countries and to further expand IFAD's country presence through the establishment of new ICOs.
6. The Board adopted a revised country presence strategy in 2013, covering the period 2014-2015. This strategy went further, with the Board approving the establishment of 50 ICOs by the end of 2015. In addition to setting up and staffing the ICOs, IFAD is in the process of developing the management, financial, human resource and administrative policies, practices and procedures to support the Organization's decentralization process.
7. **Why this evaluation.** As decided by the IFAD Executive Board in December 2015, IOE conducted a corporate-level evaluation (CLE) of IFAD's decentralization experience in 2016. The evaluation was undertaken within the overall framework of the Revised IFAD Evaluation Policy (2011)<sup>4</sup> and followed the broad methodological fundamentals set out in the second edition of the 2015 IFAD Evaluation Manual.<sup>5</sup>
8. The overarching purpose of the CLE was to independently assess IFAD's decentralization experience. The evaluation was designed to generate findings and recommendations to further strengthen IFAD's organizational decentralization to achieve better development effectiveness on the ground. This evaluation is required, as decentralization has substantially changed the operating model of IFAD, challenging its traditional headquarters-centric nature. While partial aspects of decentralization have been assessed by other independent evaluations (corporate-level, country programme and project-level evaluations), there has not been a comprehensive assessment of the process since the CLE of the FPPP in 2007. In addition, past evaluations have mainly focused on the programmatic side of establishing country offices but not on the organizational implications of reassigning decision-making authority and functions, some of which are outside the Programme Management Department (PMD) of IFAD. This evaluation will inform the preparation of the Corporate Decentralization Plan that the Management of IFAD will present to the Executive Board in December 2016.
9. There are both formative<sup>6</sup> and summative<sup>7</sup> aspects of this evaluation. Since IFAD is still rolling out its decentralization/country presence strategy, and implementation and fine-tuning are underway, the formative aspects of the evaluation were designed to identify findings, and to draw conclusions and recommendations intended to improve performance. Although the country presence policy and strategy dates from 2011, IFAD's decentralization process formally started with the FPPP approved by the Executive Board in December 2003. With the passage of over a decade of operations for some ICOs, some data on operational performance and development results are available for the summative aspects of the evaluation to assess the extent to which anticipated outputs and outcomes have been realized, and the results that have been achieved. This will provide the basis for an overall assessment of IFAD's decentralization efforts and generate lessons for the future.
10. A key distinguishing feature of the formative aspects of this evaluation was the attention devoted to learning and promoting dialogue with IFAD Management and

<sup>4</sup> [www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-7-Rev-2.pdf](http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-7-Rev-2.pdf).

<sup>5</sup> [www.ifad.org/evaluation/process\\_methodology/doc/manual.pdf](http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf). However, the CLE had to utilize past evaluations that were produced following the 2009 Manual and its definition of criteria and domains.

<sup>6</sup> The Organisation for Economic Co-operation and Development (OECD) defines formative evaluations as evaluations intended to improve performance, most often conducted during the implementation phase of projects or programmes. OECD notes that formative evaluations may also be conducted for other reasons, such as compliance, legal requirements or as part of a larger evaluation initiative. A related term is "process evaluation", which OECD defines as an evaluation of the internal dynamics of implementing organizations, their policy instruments, their service delivery mechanisms, their management practices, and the linkages among these. See OECD. Glossary of Key Terms in Evaluation and Results Based Management. 2010. Pages 24, 30 and 31.

<sup>7</sup> OECD defines summative evaluations as a study conducted at the end of an intervention (or a phase of that intervention) to determine the extent to which anticipated outcomes were produced. Summative evaluations are intended to provide information about the worth of the programme. See OECD. Glossary of Key Terms in Evaluation and Results Based Management. 2010. Page 35.

other concerned stakeholders at key stages in the evaluation process. In particular, in the regional workshops both Management and IOE received feedback simultaneously from in-country partners and ICO staff, thus allowing Management to draw on this feedback as it prepared a Corporate Decentralization Plan. Emerging findings were also discussed with senior management and divisional representatives in July 2016.

11. The CLE findings and recommendations were based on thorough triangulation of evidence and covered different dimensions of IFAD's decentralization, including in the areas of organizational architecture, delegation of authority, ICO models, and related budget and human resource implications.
12. It was timely to evaluate IFAD's decentralization efforts and experience in 2016 because: (i) decentralization is an important area of organizational reform during the Tenth Replenishment of IFAD's Resources (IFAD10) period (2016-2018); and (ii) in December 2016, Management will present a Corporate Decentralization Plan to the Executive Board, which will document IFAD's overall approach and future actions related to the Fund's decentralization in the medium term. The findings of this evaluation will thus inform the preparation of the Corporate Decentralization Plan. The evaluation was conducted in record time compared to similar CLEs and was fully completed in 2016. The Approach Paper was reviewed by the Evaluation Committee in March 2016. The report will be presented to the Executive Board in December 2016.

## **B. Evolution of decentralization in IFAD**

13. **Conceptual evolution.** When IFAD was originally established, the intention was to work through, and with, existing IFIs and United Nations agencies rather than for IFAD to have country offices. That principle governed IFAD's organizational structure and operations for the first 20 years or more of its operations. The absence of a local IFAD presence reflects a decision taken at the World Food Conference in November 1974 when it was decided to establish IFAD.<sup>8 9</sup> The main linkage between IFAD and the borrowing/recipient countries was the missions carried out by headquarters staff, international and local consultants and the cooperating institutions in the country.
14. With the evolution of the development environment at the country and international levels, IFAD gradually recognized that being closely involved in project design and implementation as well as in other in-country non-lending activities would enhance the impact of IFAD-financed projects, something that was of strategic importance for IFAD to fulfil its mandate for rural poverty reduction.
15. Discussions on the issue of IFAD's field presence were initiated during the consultations for IFAD's Fifth Replenishment (IFAD5), in which the lack of an institutional presence in its borrowing/recipient countries was identified as a growing constraint to enhancing IFAD's impact. These discussions were continued during the Sixth Replenishment consultations. Because of concerns over implementation performance, IFAD's Sixth Replenishment recommended that Management further analyse ways to enhance IFAD's field presence and experiment with different models. Possible options included: (i) proxy field presence under which IFAD would recruit a consultant locally who could undertake a range of activities in support of the IFAD country programme, such as attending

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<sup>8</sup> At that conference the Secretary General of the United Nations stated that "the operations of the Fund would be carried out through existing institutions." Communication from the Commission to the Council, World Food Conference, 9 December 1974. SEC (74) 4955 final.

<sup>9</sup> The Lending Policies and Criteria, one of the IFAD's basic legal documents initially approved by IFAD's Governing Council at its second session in December 1978, stipulates that "Project identification and preparation are normally the primary responsibility of the governments seeking IFAD funds. The Fund will secure, where necessary, the services of other international or regional institutions to assist the countries in the identification and preparation of projects." The Lending Policies and Criteria were amended in several occasions. The Governing Council adopted a revised version on 14 February 2013, which is now renamed as "Policies and Criteria for IFAD Financing".

donor co-ordination meetings; (ii) outposting CPMs to lead ICOs; (iii) ICOs led by country programme officers (CPOs, i.e. national professional staff); (iv) regional offices; (v) sub-regional offices covering several countries and/or liaison offices; (vi) use of sub-regional networks; (vii) recruiting a regional field support manager; and (viii) expanded CPM missions.

16. **Field presence (2003-2007).** During consultations on IFAD5 (2002) and IFAD6 (2005) of IFAD's resources, the lack of an institutional presence in developing Member States was recognized as a key constraint to achieving greater impact on rural poverty and enhancing the impact of IFAD-financed projects, policy dialogue, knowledge management and partnership-building.<sup>10</sup> Member States requested Management to conduct a detailed study of the possibility of an IFAD presence in the field and to identify options for enhancing IFAD's role and capacity at the country level. The findings and recommendations of that study were presented to the Executive Board in December 2002.<sup>11</sup>
17. In December 2003 the Board approved a dedicated programme for field presence, the FPPP, for a three-year period (2004-2006). By 2006, 15 ICOs had been established. The objectives of establishing ICOs were to help improve IFAD's development effectiveness and cost efficiency. The main activities of ICOs were: (i) country programme development; (ii) supervision/implementation support;<sup>12</sup> (iii) partnership-building; (iv) policy dialogue;<sup>13</sup> and (v) knowledge management, innovation and capacity building. These areas have remained the key focus of ICO activities. The FPPP was IFAD's first programme dedicated to enhancing field presence and IFAD's first major step towards decentralization.
18. The FPPP was largely managed under the responsibility of PMD. The offices set up under the FPPP were mainly seen as an extension of PMD, to better respond to programmatic needs in the countries concerned. Nationally recruited officers staffed all 15 field presence pilots. In addition, outside the FPPP, IFAD had two CPMs outposted to the Plurinational State of Bolivia and Panama in the Latin America and the Caribbean region (LAC).
19. As requested by the Executive Board in 2003, IOE evaluated the FPPP at the end of the pilot to help IFAD decide whether to "continue, expand, end or otherwise modify the Field Presence Pilot Programme" (EB2003/80/R.4). The evaluation found that, on the whole, project performance was better in countries with field presence, as compared with countries without. However, it also underlined that the effectiveness of the programme was constrained by lack of training of the field presence officers, insufficient information technology support – resulting in lack of access to key IFAD loan and portfolio management systems – and limited delegation of authority.
20. The FPPP evaluation concluded that IFAD had not systematically experimented with alternative field presence models. Most pilot countries followed the same model of appointing a local staff member and arranging for office space. None of the FPPP pilots involved out-posting CPMs from headquarters, although the pilot envisaged such experimentation. The FPPP evaluation also concluded that the FPPP did not capture reliable cost data or include a platform for systematic knowledge sharing among FPPP officers and CPMs. Overall, the FPPP did not provide IFAD Management and the Executive Board with appropriate guidance for formulating an authoritative country presence policy. The FPPP evaluation found that decentralization had consequences for the work of headquarters and that ongoing institutional reform processes must take full account of the decentralization of operations.

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<sup>10</sup> IFAD (2000) Partnership for Eradicating Rural Poverty: Report of the Consultation to Review the Adequacy of the Resources Available to IFAD 2000 – 2002. GC 24/L.3. 2000.

<sup>11</sup> [www.ifad.org/gbdocs/eb/77/e/EB-2002-77-R-9-REV-1.pdf](http://www.ifad.org/gbdocs/eb/77/e/EB-2002-77-R-9-REV-1.pdf).

<sup>12</sup> ICOs were expected to spend 50 per cent of their time on this activity.

<sup>13</sup> Particularly for ICOs headed by an outposted CPM.

21. An additional thrust to country presence came from the introduction of direct supervision. Prior to February 2006, the Agreement Establishing IFAD stipulated that IFAD should delegate the role of supervision of its development interventions to international cooperating institutions.<sup>14</sup> Evaluations during IFAD5 and IFAD6 found that direct supervision had the potential to improve development effectiveness at the country level and allow IFAD to pay more attention to its broader objectives at the country programme level.<sup>15</sup> Because of these factors, the Governing Council amended the Agreement of Establishing IFAD and the Lending Policies and Criteria (paragraph 43), delegating the decisions on project supervision to the Executive Board. In 2006, the *Policy on IFAD's supervision and implementation support* was approved, which resulted in far-reaching changes to IFAD's operational approaches, particularly on IFAD's involvement in the field. IFAD's move to direct supervision provided an added incentive for strengthening IFAD's country presence as a platform to provide implementation support.<sup>16</sup>
22. **Policy framework for IFAD's decentralization 2007 onward.** The 2007 FPPP evaluation recommended that IFAD:
- i. **Embark on an expanded country presence programme.** In particular, it recommended that the FPPP be transformed into a new programme called the IFAD Country Presence Programme, which would aim to consolidate the evidence behind emerging positive results and to determine the most cost-effective form of IFAD country presence to adopt in the future to enhance overall development effectiveness.
  - ii. **Develop a country presence policy after 2010.** The evaluation noted that it was crucial that IFAD develop such a policy, given that the Fund was created as a headquarters-centric institution. Establishment of a country presence would represent a fundamental change in the overall structure and operations of the Fund. The evaluation also recommended an evolution in the concept from field presence to country presence to promote a more comprehensive, integrated engagement of the Fund at the country level.
23. **Activity Plan and updates for country presence.** The Executive Board approved a number of key documents providing a framework for the implementation of IFAD's decentralization. The Board discussed the Activity Plan for Country Presence in December 2007. It decided that IFAD should continue its pilot country offices, integrating them more effectively into the normal programming, administrative and budgetary processes and experimenting with different ICO models. In 2008, the Board agreed to expand the programme by upgrading seven informal country presence arrangements to ICOs and establishing three more ICOs. In 2009, the Board approved establishing three more ICOs, bringing the total to 30.
24. From 2008 to 2010, Management presented to the Board annual progress reports summarizing progress made in strengthening institutional arrangements, results achieved in programmatic activities (e.g. policy dialogue, knowledge management, reporting and monitoring) and financial management (e.g. ICO budgets).
25. **IFAD Country Presence Policy and Strategy.**<sup>17</sup> The 2011 policy set out a mid-term strategy from 2011 to 2013, objectives for country offices and criteria for opening these offices, among other features. It stated that more country offices, with a cap of 40, would be established by 2013, which would cover about "two thirds of the number of projects in the portfolio under implementation and three quarters of the value of the portfolio under implementation". An exit strategy was

<sup>14</sup> The Governing Council authorized a departure from this rule in 1997, allowing up to 15 projects to be directly supervised by IFAD under the Direct Supervision Pilot Programme.

<sup>15</sup> IFAD. President's report on IFAD Policy on supervision and implementation support. EB 2006/89/R.4/Rev.1. 2006.

<sup>16</sup> IFAD. Self-assessment report: IFAD country presence programme. EB 2011/102/R.10/Add.2. 2011.

<sup>17</sup> EB 2011/102/R.10/Rev.2.

also introduced in the 2011 policy, according to which IFAD would close offices that had become less relevant to the country programme or those that were judged as not contributing to the objectives of the policy.

26. **IFAD Country Presence Strategy (2014-2015).**<sup>18</sup> In 2013, based on a review of the 2011 policy, IFAD Management proposed several revisions to be implemented in an IFAD Country Presence Strategy (2014-2015), the first policy document to use the terms "IFAD country office" and the concept of "decentralization". That strategy recommended establishing another ten ICOs, bringing the total to 50 although the overall policy framework remained unchanged. The objective of this updated strategy was to "continue to strengthen existing offices and establish new country offices in recipient countries where they can contribute to improving the development effectiveness and cost efficiency of IFAD's operations". In view of IFAD's field presence experience and considering the changing circumstances of its borrowing/recipient Member States, the relationship between ICOs and headquarters was further explored to ensure that human resource arrangements, the connectivity of ICOs and the delegation of authority to ICOs would enable ICO staff to perform their representative role as expected.
27. The IFAD Country Presence Strategy (2014-2015) underlined the importance of pursuing country presence as an IFAD-wide, rather than a PMD-centric, initiative. The emphasis on decentralization was an explicit recognition that ICOs are an integral part of IFAD's broader organizational architecture, and that attention was needed to systematically decentralize key administrative and support functions. Thus, in addition to programmatic decentralization (e.g. by tasking ICOs to take on lead roles in country programming and project supervision and implementation support), more attention was intended to be devoted to administrative decentralization (e.g. in human resources management, safety and security, information and communications technology, travel and other services).
28. During 2015, which IFAD designated as the year of country offices, there were a series of events focused on ICOs. The main objectives were to: (i) consolidate the Organization's achievements; (ii) build a common IFAD identity; and (iii) focus on the challenges of decentralization. Throughout 2015, information regarding ICO work and staff was distributed through the IFAD Intranet, thus enhancing staff knowledge of ICO achievements and the challenges of decentralization.
29. **Update on IFAD's country presence.**<sup>19</sup> A 2016 update to the Board provided an overview of the progress achieved during 2014 and 2015 in consolidating the existing country offices, establishing additional country offices and the operational and policy challenges that had emerged. The document discussed the actions taken to expand IFAD's country presence, including the evolving country office models, human resource challenges and the development of related policies and procedures. It also discussed the impact of IFAD's country presence on its development effectiveness, the evolution of country office costs and associated cost drivers, and lessons learned and challenges and opportunities. Management will present a corporate decentralization plan to the Executive Board in December 2016 to guide IFAD in moving from country presence to corporate decentralization.

### **C. Progress to date**

30. **Models for country presence.** Based on the FPPP evaluation's findings of the limits of the proxy presence instruments (notably, limited capacity to represent IFAD in an official manner, weak administrative support and delegation of authority, and no access to United Nations privileges and immunities), IFAD established additional country offices in the borrowing/recipient countries.

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<sup>18</sup> Document EB 2013/110/R.5/Rev.1.

<sup>19</sup> EB 2016/117/R.4.

31. By 2011, there were two main models of country office. Under the first model, a national staff member, recruited as a CPO, led the country office to support a Rome-based CPM. The level of delegated authority to the country office was minimal in this model. Under the second model, an outposted CPM was responsible for managing the office, with the support of national staff. This model was later strengthened, with short-term technical expertise recruited as needed and additional administrative support provided by local General Service (GS) staff and GS staff at headquarters.
32. A third type of country office that emerged later was a sub-regional hub ICO providing services to a neighbouring country (e.g. Guatemala, Viet Nam). A fourth model is the regional office, which has only been established in Kenya. It is a regional service centre for the East and Southern Africa (ESA) region, including outposted staff of the Controller's and Financial Services Division serving both ESA and the West and Central Africa (WCA) region. The head of the ESA regional office is also the CPM for Kenya.
33. IFAD is also using local focal points (consultants) in some countries where it has no office as a flexible way of providing some form of country presence. Some multilateral development banks (MDBs) have also used this mechanism to provide a country presence in the small Pacific countries.<sup>20</sup>
34. **Number of ICOs.** Since the FPPP, key selection criteria for countries to have a country presence have included: (i) high levels of poverty, particularly in rural areas; (ii) sufficiently conducive environment at the level of government and other development partners; (iii) identified need to strengthen the policy and institutional environment in favour of the target group; (iv) adequate IFAD portfolio size; and (v) adequate regional distribution. Of the 50 ICOs approved by the Executive Board, 40 were operational by the end of 2015 of which 11 in were in the Asia and Pacific region (APR), 9 in ESA, 5 in LAC, 4 in the Near East, North Africa and Europe (NEN) region and 11 in WCA. The ICO in Panama was closed in 2013 (the office in Guatemala was established to cover the Central America sub-region). In 2016, the Yemen country office was closed due to the suspension of the country programme, bringing the total to 39 as of mid-2016 (table 1). IFAD's planned and operational ICOs worldwide are shown in the map of IFAD's country presence 2016 (page iii). As of December 2015, the operating country offices covered 78 per cent of total IFAD financing (76 per cent at mid-year 2016 point).

Table 1  
Status of IFAD country offices

<i>Region</i>	<i>ICOs approved by 2015</i>	<i>ICOs operational in 2016</i>
APR	13	11
ESA	10	9
LAC	7	5
NEN	6	3
WCA	14*	11
Total	50	39**

\*The three remaining offices in WCA (Benin, Chad and Liberia) will be part of an established office serving neighbouring countries.

\*\* Excluding Yemen (portfolio suspended).

Source: Executive Board Update on IFAD's Country Presence, April 2016, annex I.

<sup>20</sup> Under a three-year pilot, ADB used a technical assistance grant to finance long-term consultants as Development Coordination Officers to provide a presence in eight small Pacific countries. In some cases there was strong coordination with the World Bank, which faced similar challenges of having a country presence in small Pacific countries. In five of these cases the consultants worked for both ADB and the World Bank. Although the consultants went to meetings and undertook coordination and follow-up, they could not officially represent ADB. ADB believed that there were benefits from having a presence in small Pacific countries (e.g. client relationship management; supporting project processing and project implementation). By 2016, four of the eight positions had been converted into ADB staff positions.



35. **Management, coordination, monitoring and reporting.** An interdepartmental steering committee, chaired by the then Assistant President, PMD, was established to coordinate and monitor the implementation of the country presence plan. The committee was reconstituted in 2009 and renamed Country Presence Coordination Group (CPCG) to further reflect that country presence is “an IFAD effort”, not a PMD initiative. The Assistant Vice-President, PMD and the Assistant Vice-President, Financial and Administration Department, jointly chaired the new CPCG. The main responsibility of the CPCG was to “coordinate the planning, implementation and monitoring of critical tasks and activities that are needed in improving the management of IFAD’s country presence”.<sup>21</sup> The CPCG was inactive after 2010. In 2013 it was re-energized and co-chaired by the Assistant Vice-President, PMD and the Assistant Vice-President, Corporate Services Department. Regular CPCG meetings resulted in better coordination of IFAD’s decentralization initiative across the entire Organization. The January 2016 President’s bulletin further reinforced the corporate nature of IFAD’s decentralization by formally defining the responsibilities of the renamed Corporate Decentralization Coordination Group.
36. To better support administrative decentralization, the Field Support Unit (FSU) was established in 2013 within the Corporate Services Department, with the mandate to manage field security operations, host country- and service-level agreements and provide coordination and advisory services aimed at strengthening the functionality of ICOs. The FSU prepared the ICO Handbook, a reference guide to the most salient features of the corporate policies and procedures that are particularly relevant to ICOs.
37. **Institutional arrangements.** In line with its Board-approved country presence policy and strategy, IFAD has established its ICOs under hosting arrangements with United Nations agencies and, in one case, with a publicly funded research institution [the CGIAR (formerly known as the Consultative Group on International Agricultural Research)], (see Efficiency chapter). IFAD initiated discussions with the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Development Programme (UNDP) and reached agreement on the issue of hosting arrangements in 2007.<sup>22</sup>
38. **Human resources management.** Prior to 2009, the national staff in ICOs were recruited through host agencies. In line with the 2008 amended framework agreement between IFAD and UNDP, the President’s Bulletin on administrative procedures for ICOs was amended to allow for IFAD to directly contract national and local staff. Accordingly, the Human Resources Division initiated the recruitment process for direct contracting national staff in 2010. Amendments were made to the Human Resources Policy and Human Resources Implementation Procedures in response to the changes necessitated by the establishment of ICOs.
39. **Delegation of authority.** As previously mentioned, decentralization is the transfer of responsibility from higher to lower levels of decision-making. An essential feature of decentralization is the delegation of authority and accountability from headquarters to ICOs so that the field-based staff can effectively and efficiently carry out their tasks. IFAD has created the *Delegation of Authority Framework*, which outlines the Organization’s decision-making structure and the responsibilities, roles and functions of staff, including country office staff. As more experience is gained from the field, this framework will be further refined.

#### D. Structure of the report

40. The remainder of the report is structured into five chapters: (i) evaluation objectives and methodology; (ii) relevance of IFAD's decentralization and country

<sup>21</sup> EB2009/98/R.11.

<sup>22</sup> To facilitate the process, a framework agreement was signed between IFAD and UNDP in September 2008 with specific provisions covering office space, administrative services and the procurement of goods and services. Apart from UNDP, no corporate agreements have been signed between IFAD and other UN agencies.



presence policy and strategy for the achievement of IFAD's strategic objectives; (iii) effectiveness of IFAD's decentralization: furthering the achievement of institutional and development objectives; (iv) efficiency of IFAD's decentralization: weighing costs and benefits; and (v) conclusions and recommendations.

#### **Key points**

- In IFAD, decentralization involves redistributing functions, powers, people and some decision-making authority from headquarters to ICOs. The decision to decentralize some of IFAD's functions by establishing a large number of ICOs was a transformative organizational change to bring IFAD closer to its in-country partners and to improve its development effectiveness and cost efficiency.
- The Executive Board has approved establishing up to 50 ICOs. Of those, 40 were operational at the end of 2015 and 39 in mid-2016. Countries with ICOs accounted for about 80 per cent of IFAD's total financing and two-thirds of total domestic financing.
- The main activities of ICOs are: (i) country programme development; (ii) implementation support; (iii) partnership-building; (iv) policy dialogue; and (v) knowledge management, innovation and capacity building.
- There are four ICO models: (i) CPM-led; (ii) CPO-led; (iii) sub-regional hubs providing services to neighbouring countries; and (iv) a regional service centre in Nairobi. In addition, IFAD is using consultants as local focal points in some countries to provide a degree of country presence.
- Initially establishing a country presence was largely a PMD initiative and most progress was made on programmatic decentralization. More recently, IFAD moved to a corporate decentralization approach and progress began to be made on administrative decentralization.

## II. Evaluation objectives and methodology

### A. Objectives of the evaluation

41. The overarching objectives of the CLE were to assess the following issues and generate learning from them to strengthen future strategies and plans:
  - (i) IFAD's decentralization experience and efforts, including the underlying assumptions;
  - (ii) The contribution of IFAD decentralization to better operational performance and to achieving better development results; and
  - (iii) The costs of the decentralization process in relation to the results achieved.

### B. Evaluation methodology

42. **Evaluation coverage.** The evaluation covered IFAD's decentralization experience in the five regions in which IFAD operates, from 2003 – when IFAD initiated the FPPP – through the end of 2015. However, in line with its formative aspects, the CLE also assessed the main elements and directions of the forthcoming update on IFAD's country presence strategy that Management presented to the Executive Board in April 2016. Although IOE completed a CLE of the FPPP in 2007, the 2016 CLE on decentralization is more comprehensive and broader in scope. While it drew on evidence generated during the FPPP evaluation and assessed the extent to which the Fund has internalized its recommendations, it did not aim to re-evaluate the pilot programme.
43. **Methodology.** The CLE was anchored in three internationally recognized evaluation criteria: relevance, effectiveness and efficiency. A key dimension that distinguished this evaluation was the added attention devoted to stakeholder engagement and learning at key stages of the evaluation.
44. **Results chain.** In line with international good practice in enhancing the transparency and clarity of the subject being evaluated, figure 1 presents a simplified version of the CLE's results chain, drawn from IFAD's documentation, complemented by interviews with staff and from selected organizational management literature. The latter posits that decentralization can lead to organizational gains by empowering managers closest to the local information to make decisions, thus more rapidly solving problems and improving service delivery.<sup>23</sup> Decentralization needs to be complemented by effective control, monitoring and performance measurement systems. Thus decentralization has implications for an organization's management, accountability and reporting systems, financial management, human resources management and performance evaluation systems. At the corporate level, these systems and associated procedures need to be in place to gain the full benefits of decentralization. Organization transformations typically involve major changes in policies, strategies, structures, operating procedures, financial and human resources management and organizational culture.<sup>24</sup>
45. The figure maps the results chain to the evaluation criteria that were used to assess the performance of IFAD's decentralization efforts. However, its purpose is not to illustrate explicitly how all other associated corporate policies (e.g. direct supervision and implementation support, or human resources policy) contribute to fulfilling IFAD's decentralization objectives. The CLE was designed to assess initial conditions underlying the decentralization framework and issues at the input, activity, output and outcome levels in the results chain. Outputs and outcomes are affected by many country factors other than decentralization (e.g. local

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<sup>23</sup> Jerry M. Silverman. Public Sector Decentralization: Economic Policy and Sector Investment Programs. Volume 188. World Bank. 1992. Page 4.

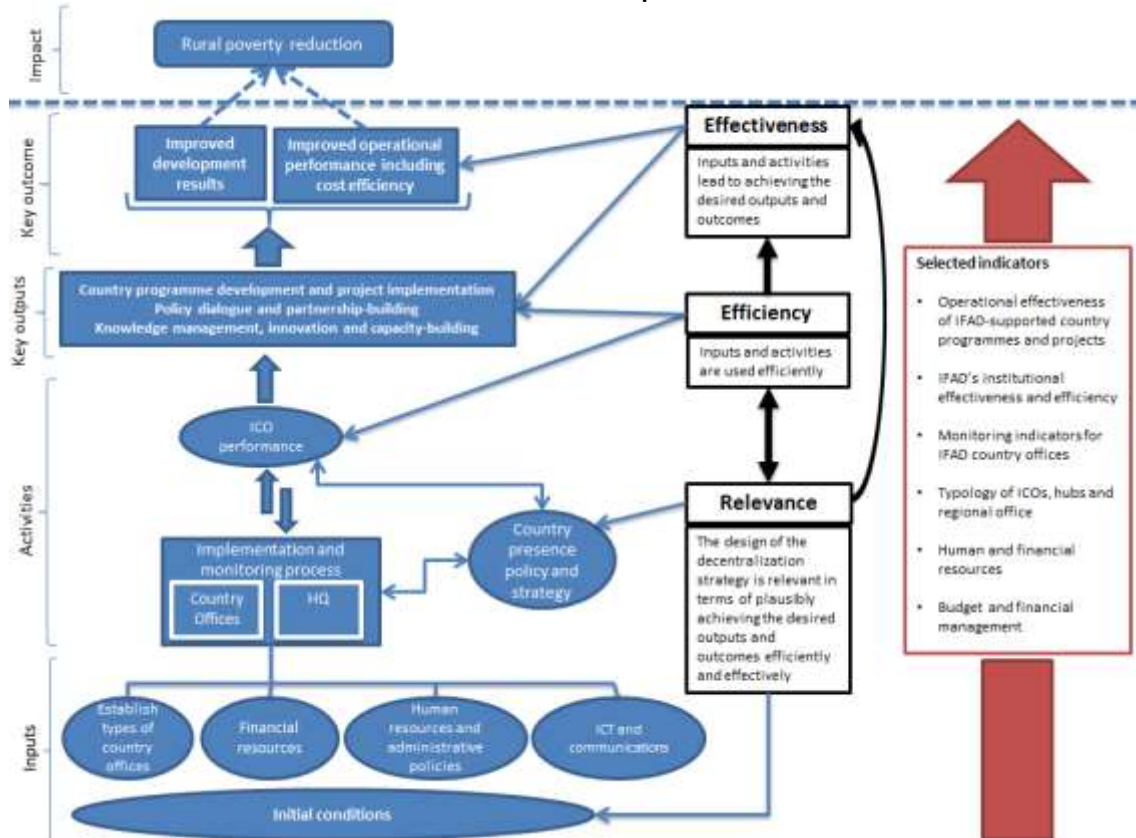
<sup>24</sup> McKinsey Digital. Changing change management. July 2015. McKinsey Global Survey Results: What successful transformations share. 2010. McKinsey Quarterly. The irrational side of change management. 2009.

beneficiaries, climate, harvests, price movements, macroeconomic conditions, security conditions, governance, institutional capacity issues and availability of counterpart funds). Therefore, the CLE focused on contribution rather than on attribution at this level.

46. The CLE adopted a mixed-method approach, using qualitative and quantitative data collection tools and analysis, to provide a thorough assessment of IFAD's decentralization efforts and experience to date. In particular, IFAD's operational performance and development results in countries were assessed "with and without" country presence, as well as "before and after", and by country presence modality. The broad aim of this analysis was to determine the contribution of decentralization, and notably its country presence component, to furthering IFAD's mandate on the ground, recognizing that it is but one contributing factor.

Figure 1

Results chain for the CLE of IFAD's Decentralization Experience



Source: IOE.

47. **Evaluation framework.** Annex I contains the CLE's evaluation framework, which includes the three criteria (relevance, effectiveness and efficiency) that were used in the evaluation, key questions and sub-questions by criterion, sources of data, and instruments for data and information collection.
48. **Evaluation criteria and key questions.** The following paragraphs present the main evaluation questions and sub-questions, by evaluation criterion covered.
49. **Relevance.** The evaluation analysed: (i) the relevance of the objectives of the decentralization strategy in relation to IFAD's mandate and corporate policies; and (ii) the design and assumptions underlying IFAD's decentralization approach. The key questions in assessing relevance were:
- How relevant were the design and assumptions of the decentralization and country presence strategy to enhancing IFAD's operational performance, results and cost efficiency?

- How relevant are the criteria adopted for establishing ICOs?
  - How relevant were decentralization efforts to strengthen IFAD's overall institutional architecture, for example in the area of human resources management?
  - How relevant is the results framework of the strategy, including its monitoring and reporting system?
  - How relevant was the organizational structure, systems and processes put in place to ensure smooth implementation of the decentralization strategy?
50. **Effectiveness.** The overarching question for assessing effectiveness was the extent to which IFAD's decentralization has led to better results on the ground. The key questions in assessing effectiveness were:
- To what extent has decentralization contributed to better performance of country strategies, lending and non-lending activities, and alignment and coordination of development support?
  - Has decentralization enabled IFAD to better inform its corporate policies and strategies based on enhanced knowledge and lessons from the field?
  - Has decentralization enhanced cooperation with government authorities, as well as with international development partners, including the United Nations Rome-based agencies?
  - Has decentralization enabled better engagement of non-governmental actors, notably civil society and private sector organizations?
  - Has decentralization had an effect on IFAD's resource mobilization, including cofinancing, from both international and domestic sources?
  - What are the results in terms of country-level scaling up?
51. **Efficiency.** The evaluation reviewed the administrative resources used in the design, implementation, monitoring and overall management of the decentralization model to answer the following key questions to assess efficiency:
- What has been the overall cost of decentralization and its implications for IFAD headquarters?
  - What are the costs of IFAD's decentralization in relation to the benefits accrued (e.g. in terms of operational performance and development results)?
  - What are the main cost drivers associated with the decentralization process?
  - What are the costs and internal organizational arrangements at headquarters for managing the decentralization process (including arrangements for host country agreements)?
  - What are the cost savings and efficiency gains in the decentralization of core functions such as financial and human resources management, information and communications technology (ICT), and administrative services? Are other lower-cost alternatives available?
  - Are country offices and staff adequately supported by headquarters and by the existing corporate policies, including human resources policies? Is there sufficient delegation of authority? Are country offices provided adequate resources to support the lending portfolio and to engage in non-lending activities?
52. Criteria have been rated on the 6-point scale as defined in the Evaluation Manual. The criteria and sub-criteria are illustrated in chapters III-V and ratings presented at the end of the relevant chapters.

## C. Data collection and information sources

53. The evaluation used mixed methods and collected both quantitative and qualitative information and data from a range of sources. The major information sources are described in the following paragraphs.
54. **Management self-assessment.** In line with the IFAD Evaluation Policy, Management is normally required by IOE to conduct a formal self-assessment as an input to CLEs. However, no formal self-assessment was required for this CLE because Management has undertaken several self-assessments in the past years as inputs towards developing and updating the country presence strategy, the most recent of which was discussed at the Executive Board in April 2016. IOE reviewed the available self-assessments and collected additional information and feedback through interviews with IFAD Management and staff during the evaluation process.
55. **Document review.** The evaluation team reviewed key documents available in IFAD on the topic. These included country presence strategies, management activity plans, self-assessments, final reports from selected IFAD replenishment consultations, the Fund's annual programmes of work and budget, President's bulletins on topics related to decentralization, human resource policies and procedures (e.g. related to delegation of authority to outposted staff), reports produced by the Office of Audit and Oversight, and other pertinent documents.
56. The evaluation team mined IOE evaluation reports and project and country strategy and programme ratings, which were key sources of data for the "before and after" and "with and without" analyses. In addition to the FPPP evaluation, many country programme evaluations include pertinent information on IFAD's decentralization. The Annual Reports on Results and Impact of IFAD Operations (ARRIs) and related CLEs (e.g. on IFAD's efficiency) were also reviewed to extract relevant information. A structured approach to analysing the evaluation reports was based on evaluation criteria and questions that the CLE covered.
57. In addition to examining IFAD documents and relevant documents from other MDBs and the Rome-based United Nations agencies, IOE undertook a survey of management literature on centralized/decentralized organizational models and organizational change management.
58. **Analysis of IFAD's quantitative data.** The evaluation included quantitative analysis based on data available in IOE (such as the ARRI) and IFAD databases (such as the Grants and Investment Projects System [GRIPS] and Flexcube) and other data available from PMD. The main purpose of the analysis was to assess whether IFAD's decentralization efforts, through the establishment of different types of ICOs, were contributing to better development effectiveness (annex IV).
59. Data were analysed for countries with and without ICOs, and within countries, before and after ICOs were established and by type of ICO. Statistical analysis was undertaken to determine whether differences were statistically significant. Data were also extracted from IFAD's financial, human resource and administrative systems to assess the issues highlighted in the evaluation framework. A dedicated assessment of the financial costs related to IFAD's organizational decentralization was part of this analysis.
60. Ratings generated by IOE in past evaluations were a key source of information in assessing the contribution of ICOs to the Organization's operational performance and results, including in terms of performance of the project portfolio, non-lending activities (i.e. policy dialogue, knowledge management and partnership-building) and country strategies (i.e. country strategic opportunities programmes [COSOPs]). Similarly, ratings generated through IFAD's self-evaluation system were also drawn on where appropriate (e.g. project status reports), including those assigned by the Quality Assurance Group (for project design).

61. **Electronic survey of IFAD staff and stakeholders.** An anonymous electronic survey was used to extend the reach of the evaluation team to seek feedback from many stakeholders (e.g. Executive Board members, Senior Management, IFAD staff at headquarters and in ICOs, key government officials, project staff, the local donor community and representatives of civil society). IOE coordinated with PMD to ensure synergy between this CLE activity and Management’s 2016 client survey. The questionnaire was sent to a total of 1,987 recipients (502 to Executive Board Members and IFAD staff, and 1,485 to non-IFAD recipients). The total response rate was 62 per cent and the complete return rate 53 per cent.
62. The survey was designed to seek feedback on: (i) the roles of ICOs and their relative importance; (ii) various dimensions of the performance of ICOs (e.g. government liaison, programmatic areas, non-programmatic areas); (iii) collaboration with governments, project managers, Rome-based United Nations agencies, the local donor community and civil society; and (iv) management, delegation, accountability, financial management, human resources and IT issues (annex V).
63. **Key informant interviews in IFAD.** Semi-structured interviews were a major source of information for the evaluation team. A wide range of people were interviewed at headquarters, including selected members of the Evaluation Committee and the Executive Board, Senior Management and key staff in PMD and other departments dealing with administrative matters, budget/finance, human resources, ICT, corporate support services and internal audit. Some were one-on-one and some were group interviews. Feedback collected through interviews was treated as confidential.
64. **Regional workshops.** Time and resource availability for the CLE limited the number of country visits. However, to ensure credibility of the evaluation’s analysis, IOE developed a methodology to gather input from in-country stakeholders, in particular to capture feedback from IFAD clients such as government officials, project staff and other development partners. Four regional consultation workshops were held between May and July 2016: at headquarters for NEN, in Lima in for LAC, in Nairobi with representatives from both ESA and WCA, and in Hanoi for APR. The regional consultations also allowed IOE to assess the functioning of the only IFAD regional office (Nairobi) and of the sub-regional hubs in Peru and Viet Nam.
65. Their main purpose was to obtain feedback and insights of stakeholders on IFAD’s decentralization approaches. The workshops provided opportunities for: (i) interactive dialogue to identify strengths and weaknesses of the decentralization; and (ii) deepening of the information base for the evaluation. In addition to plenary sessions, participants were divided into break-out groups to provide feedback on particular issues: (i) government officials and national project manager: benefits and limitations of having a country office from the governments’ point of view; and (ii) IFAD staff (from headquarters and country offices): benefits and limitations of current decentralization of administrative, finance and human resource responsibilities and actions. In addition, iterative discussion adopting the “World Café” modality focused on advantages and disadvantages of different country presence configurations (see annex IV, tables 32-36).<sup>25</sup>
66. **Selected ICO case studies.** IOE prepared ICO case studies in countries with different models of ICOs to identify good practices and lessons learned in IFAD’s decentralization. The criteria used to select the ICOs for case studies included: (i) type of ICO; (ii) geographic balance; (iii) ease of logistics and combining the ICO case studies with the regional consultation workshops; and (iv) linkage with

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<sup>25</sup> World Café is a technique to organize small-group debates on a given theme and allows all participants to discuss a set of themes and validate the deliberations by moving from one discussion table to another.

ongoing evaluations.<sup>26</sup> Based on these criteria, the 13 ICO case studies were undertaken, four in APR (China, India, Philippines, Viet Nam), two in ESA (Kenya, Tanzania), three in LAC (Ecuador, Nicaragua, Peru), two in NEN (Egypt, Georgia) and two in WCA (Burkina Faso; Democratic Republic of the Congo). The ICO case study concept note set out three main objectives: (i) examine IFAD's country representation, division of work and related topics to identify good practices and improvement opportunities from the different approaches of IFAD's decentralization models; (ii) assess country representation results through an analysis of the effectiveness and efficiency of IFAD's country representation; and (iii) provide an opportunity for reflection and knowledge sharing of key issues, areas for improvement and good practices of IFAD's decentralization strategy.

67. Drawing on past evaluations and readily available documentation, IOE briefly examined the **experience of and lessons from selected comparator institutions** to identify key lessons of relevance to IFAD. The CLE studied the following organizations: AfDB, ADB, EBRD, the Inter-American Development Bank, the World Bank Group (including the specific case of the International Finance Corporation), the European Investment Bank, and the Rome-based United Nations agencies [FAO and the World Food Programme (WFP), see working paper on *Decentralization in Multilateral Development Banks and Rome-Based UN Agencies*].

#### D. Evaluation process

68. **Timeline and phases.** The evaluation was carried out in record time. The Evaluation Committee considered the approach paper in March 2016, and the evaluation was completed in 2016. After consideration by the Evaluation Committee in November, the final report was presented to the 119<sup>th</sup> session of the Executive Board in December 2016. This tight timeline was driven by the need to have the report ready in time to inform Management's planned corporate decentralization plan, which will document IFAD's overall approach and future actions related to the Fund's decentralization in the medium term that will be presented to the Executive Board in December 2016.
69. The CLE of IFAD's Decentralization Experience was undertaken in eight phases: (i) evaluation design; (ii) desk review of documents and analysis of data; (iii) data and information collection; (iv) analytical phase; (v) sharing of emerging findings with Management through PowerPoint presentations; (vi) preparation of draft final report and comments by IFAD management; (vii) finalization of CLE report and preparation of IFAD Management response; and (viii) dissemination of results. These phases were iterative and partially overlapping.
70. **Deliverables, review process and feedback.** The main deliverables of the CLE included the approach paper,<sup>27</sup> the final evaluation report and a *Profile and Insight*.<sup>28</sup> IOE received comments on the approach paper and draft final report from a senior independent adviser, Richard Manning, former Chair of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) and from the Independent Evaluation Department of EBRD. IFAD Management was invited to provide written comments on the draft approach paper and draft final report. The Evaluation Committee also reviewed the draft approach paper, and its comments were duly considered in the design and implementation of the evaluation. IOE prepared an "audit trail" that transparently illustrated how IFAD Management comments were treated in the final report. During the evaluation, several working papers were produced on different topics,

<sup>26</sup> To extend the reach of the evaluation and to reduce costs, four ICO case studies (Democratic Republic of the Congo, Egypt, Nicaragua and India) were undertaken in conjunction with other 2016 evaluations.

<sup>27</sup> EC 2016/91/W.P.3.

<sup>28</sup> *Profiles and Insights* are two key IOE communication products, produced at the end of the evaluation once the report has been finalized. Both are two-page brochures of about 500-700 words. The *Profile* will contain a summary of the main evaluation findings and recommendations. The *Insights* will focus on one topic of key interest (e.g. delegation of authority to ICOs, role of sub-regional offices/hubs) emerging from the evaluation, with the aim of stimulating further debate and reflection among partners concerned.

which are available on request. Two further key deliverables were the written IFAD Management response and report of the senior independent adviser on the quality of the final evaluation report. Both deliverables are included in the published final CLE report.

71. Given the formative aspects of the evaluation, added attention was devoted to organizing consultations with IFAD Management and staff at key stages of the evaluation. The aim of such interactions was to exchange thoughts and discuss selected emerging evaluation issues to ensure wider learning and timely feedback from independent evaluation to IFAD's work in decentralization.
72. **Constraints and limitations to the evaluation.** First, the evaluation had to be conducted under an extremely tight time schedule. It was essential that the preliminary findings be available to inform Management's drafting of IFAD's corporate decentralization plan and the Executive Board's consideration of that document. Second, many ICOs were established relatively recently. Therefore, limited time has passed for the full impact of ICOs to be reflected in quantitative performance indicators. The evaluation team undertook quantitative analysis of self-evaluation and independent evaluation ratings and other IFAD databases and of the e-survey. It also undertook qualitative analysis of data and information from interviews, case studies and regional workshops to complement and compare with findings from quantitative analysis. Third, the performance of the IFAD-funded portfolio and country programmes is impacted by many factors beyond country presence and the work of ICOs, as further explained in the Effectiveness chapter. Fourth, IFAD's financial systems do not provide a comprehensive picture of ICO costs: data are fragmented and not easily available. The CLE had to integrate data from different sources.
73. IOE compensated for these limitations by triangulating a large amount of evaluation evidence and multiple methods and sources in order to reach its conclusions. In addition, this CLE built upon a corpus of evaluation experience and knowledge accumulated by IOE in the past years through project-level, country programme and corporate evaluations.

#### **Key points**

- The overarching objectives of the CLE were to: (i) assess IFAD's decentralization experience and efforts; (ii) assess the contribution of decentralization to better operational performance and development results; (iii) assess the costs of the decentralization process in relation to the results achieved; and (iv) generate findings and recommendations to further strengthen IFAD's organizational decentralization.
- The evaluation assessed the relevance, effectiveness and efficiency of the decentralization process.
- The evaluation used mixed methods and collected both quantitative and qualitative information and data from a range of sources (e.g. document reviews, semi-structured interviews of key informants, regional/country consultations, quantitative analysis of data available in various IFAD information systems, analysis of relevant evaluations, electronic surveys of stakeholders, and ICO case studies).
- Given the formative aspects of the evaluation, added attention was devoted to organizing consultations with IFAD Management and staff at key stages of the evaluation to provide preliminary feedback.



### III. Relevance of IFAD's decentralization

#### A. Objectives and design of the strategy for country presence Objectives

74. **The overall objectives for decentralization have not markedly changed since 2007 and have remained fully valid.** The Sixth Replenishment Consultation emphasized enhancing IFAD's impact and this was subsequently confirmed as the priority by the Independent External Evaluation of IFAD (2005). Following that evaluation, IFAD developed an Action Plan for Improving Development Effectiveness which was approved in 2005. Following the limited experience of the 2003-07 piloting of country presence in 15 countries and the evaluation of that pilot, the first Activity Plan for IFAD's Country Presence<sup>29</sup> was accepted by IFAD's Executive Board in December 2007. The objectives of country presence were seen as particularly important for better project design and supervision, implementation support and increased country-level dialogue, and would "enhance IFAD's development effectiveness by allowing IFAD to:
- (a) Work in-country where it is needed, especially in developing project designs better matched to the country context and in providing cost-effective implementation support;
  - (b) Play a catalytic role at the country level, particularly in relation to policy dialogue, partnership-building, knowledge management and innovation;
  - (c) Improve its understanding of the changing conditions of rural poverty;
  - (d) Align itself more closely with the aid effectiveness agenda in support of country ownership and leadership, through improved alignment with country strategies and systems and better donor coordination;
  - (e) Contribute towards system-wide coherence of the United Nations by actively participating in and contributing to the One United Nations Initiative."
75. The 2011 IFAD Country Presence Policy and Strategy<sup>30</sup> provided a more nuanced but also looser statement of objectives. The emphasis was on programme implementation support as IFAD absorbed supervision from the United Nations Office for Project Services (UNOPS) and other agencies.<sup>31</sup> The terms of reference for country offices specified: (i) country programme development and implementation support; (ii) partnership-building; (iii) policy dialogue; (iii) knowledge management and innovation; and (iv) local capacity-building.
76. IFAD Country Strategy 2014-15<sup>32</sup> made no change in the objectives for country presence. The 2016 April Executive Board Update on IFAD's country presence<sup>33</sup> also made no change but stated that a corporate decentralization plan would be brought forward by Management in 2016. The objectives for country presence were fully consistent with IFAD's overall objectives but remained objectives for a country presence, rather than decentralization. Items such as enhancing and projecting IFAD's image and resource mobilization were not explicitly articulated as objectives.

<sup>29</sup> EB 2007/92/R.47 Activity Plan for IFAD's Country Presence. November 2007.

<sup>30</sup> EB 2011/102/R.10/Rev.2 IFAD Country Presence Policy and Strategy. 14 September 2011.

<sup>31</sup> It stated that "IFAD's country presence will continue to enhance IFAD's development effectiveness and, to the extent possible, achieve cost efficiency. [...] Development effectiveness will be enhanced by: (a) Helping align country strategies and projects with the country context and country plans; (b) Providing cost-effective and timely project supervision and implementation support; (c) Scouting for and helping to disseminate innovative approaches to rural poverty reduction and rural development; (d) Building partnerships and collaborative relationships locally and nationally; (e) Ensuring more effective engagement with in-country policy dialogue and advocacy; and (f) Improving IFAD's understanding of the changing conditions of rural poverty and helping to devise effective responses at the national level."

<sup>32</sup> EB 2013/110/R.5/Rev.1 IFAD Country Presence Strategy 2014-15. 31 December 2013.

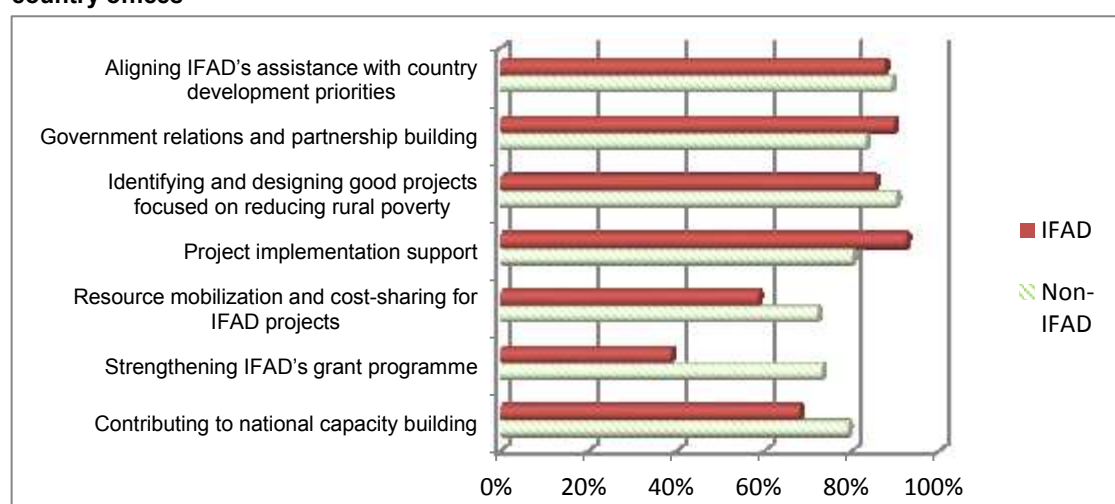
<sup>33</sup> EB 2016/117/R.4 Update on IFAD's Country Presence. 23 March 2016.

77. **Internal and external perspectives of priorities of ICO functions.**

Government staff and IFAD staff tended to assign high priority to all the functions of ICOs in responses to the e-survey and in interviews for this CLE. However, for certain functions, a slightly lower proportion of respondents from within IFAD stated that the functions were of the highest priority than that of respondents outside IFAD. Figure 2 summarizes the findings (see also table 4, annex V) in areas where both IFAD and non-IFAD (mostly Government staff) assigned high priorities (e.g. aligning IFAD’s assistance with country development priorities; government relations and partnership-building; country strategy and programme development; identifying and designing good projects; project implementation support), as well as areas where non-IFAD respondents tended to assign higher priority compared to IFAD ones (e.g. resource mobilization for IFAD projects; strengthening IFAD’s grant programme; contributing to national capacity building).

Figure 2

**Proportion of e-survey respondents assigning high/very high priority to selected functions of IFAD country offices**



Source: Responses to this CLE e-survey (2016).

**Design**

78. **Up until 2011 the approach to decentralization was evolving and remained in a formative stage. Although models of ICOs were identified, there was no formalized trial of different models and there was no evident assessment of alternatives.** For the extended pilot phase of country presence, decentralization was subject to annual review by the Executive Board between 2008 and 2010. A Policy and Strategy for Country Presence was then approved by the Executive Board in 2011.<sup>34</sup> This strategy was clear with respect to:

- The maximum number of offices until the end of 2013 (40) and the schedule;
- The criteria for establishment of country offices, those for posting a CPM to the office and maximum number of CPMs to be decentralized (20), and those for office closure, which were the inverse of those for opening an office;
- What would be monitored as regards ICO progress, costs and performance;
- Resource commitment for ICOs; and
- The hosting and servicing of ICOs by other agencies and agreements with host countries.

79. The strategy was less clear on: (i) posting of international professionals, other than CPMs, including up to five technical staff; (ii) issues of delegation of authority;

<sup>34</sup> EB 2011/102/R.10/Rev.2 IFAD Country Presence Policy and Strategy. 14 September 2011.

(iii) staff rotation and training; and (iv) the model for sub-regional or hub configurations and the variations in staffing for such models.

80. Following a review by Management, IFAD Country Presence Strategy 2014-15<sup>35</sup> was considered by the Executive Board in 2013. The maximum number of offices was increased to 50, of which no more than half would be staffed with CPMs. There was no further move to decentralize administrative and financial services, and it was further emphasized that the location of such services at regional or sub-regional hub levels did not change their status as part of corporate services. It was purely a measure to reduce costs and offer timely service. Rotation was specified for CPMs, who would not spend more than two periods of assignment in a country office before having an assignment at headquarters. An office serving several countries was designated as a separate country presence model. The FSU was established in the Corporate Services Department.
81. **Criteria applied in the strategy for opening and closing of offices and for out-posting of CPMs were fully relevant but did not take adequate account of factors for decentralizing CPMs with responsibility for more than one country.** Criteria were developed in the 2011 Policy and Strategy and only minor changes made in the 2014-15 strategy: (i) size of IFAD's country portfolio (assigned weight 50 per cent); (ii) country's dependence on agriculture measured as proportion of agriculture value-added in total national value-added (weight 15 per cent); (iii) size of rural population (weight 10 per cent); (iv) prevalence of poverty measured as per capita gross domestic product (weight 15 per cent); (v) "state fragility" – representing weak performance in achieving development outcomes (International Development Agency-IDA Resource Allocation Index - weight 10 per cent); and (vi) existence of an enabling policy environment (assigned no weight).
82. Criteria for out-posting CPMs were: (a) large country programmes; (b) need and opportunity for policy dialogue on rural poverty reduction and smallholder agricultural development; (c) countries with weak institutions and development performance and/or involved in or emerging from conflict; (d) potential for building partnership – leveraging resources; (e) requiring instruments such as knowledge management and support for a broader range of stakeholders; and (f) country offices serving multiple countries.
83. The strategy envisaged that CPMs could be decentralized and have responsibility for more than one country but did not build this into criteria for siting of CPMs or ICOs. Such criteria would examine sub-regions rather than single countries to consider where ICOs and CPMs could be best placed to serve a group of countries.
84. The responses to the CLE e-survey endorsed the priority choices in siting of ICOs. IFAD staff and Executive Board Members endorsed high priority to ICOs for countries with large programmes (37 per cent) and ICOs covering neighbouring countries (38 per cent). Respondents from outside IFAD, mostly government and project staff, supported size of programme as the main criteria (44 per cent), but some also supported offices in most and all countries (29 per cent; residual percentages were for other options).

### **Assumptions and the use made of prior evaluation findings**

85. **While objectives for country presence were by and large justified, some assumptions were not fully valid.** One of the early assumptions was that of relying on a "light touch" approach. This assumption was due to the Executive Board's concern for containing costs and, initially at least, some uncertainty from senior and middle management about a major departure from IFAD's traditional business model.

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<sup>35</sup> EB 2013/110/R.5/Rev.1 IFAD Country Presence Strategy 2014-15. 31 December 2013.

86. As noted in the CLE of the FPPP (2007) and of IFAD Efficiency (2013), as well as by several country programme evaluations (CPEs), there was a discrepancy between having a “light touch” approach (e.g. country offices staffed with one or two professionals) and formulating ambitious goals in certain areas, such as non-lending activities. Moreover, while the size of IFAD’s country offices cannot be compared with that of other MDBs, at present it is not entirely correct to consider IFAD’s decentralization as “light”, at least relative to the size of the Fund. IFAD now has country offices operational in 39 countries, covering about 80 percent of its ongoing loan volume, and CPM-country directors widely decentralized, especially in Africa. As further argued in this report and as visible in the evolution of the strategy, leeway was given to regional divisions to experiment with different approaches, but missing was a systematic approach to identify country presence models and organizational changes to enhance effectiveness and efficiency.
87. Another assumption was about costs. Although IFAD’s own internal analysis showed that decentralization had generally increased costs in MDBs, the 2011 Policy and Strategy opted for cost neutrality, following the preference of the Executive Board. The costs of country offices, once established, would be contained as additional posts in country offices would be at lower cost than those in headquarters. In the 2014-15 strategy it was argued (and figures presented) that staffing could be increased to absorb the extra workload of project supervision and a growing programme at lower cost in country offices than the equivalent increase in headquarters. This assumption would have been correct only with a clear shift of functions and staff from headquarters, which has only partially taken place.
88. According to the decentralization strategy documents, all country offices, irrespective of their configuration (e.g. CPM-led, CPO-led) and their staffing level, were expected to deliver on the same full range of services (e.g. implementation support, non-lending activities). This was not realistic, particularly for smaller offices with only one professional staff member. Moreover, country offices have not been given a dedicated budget line for non-lending activities.
89. There were several implicit assumptions with respect to staff and staffing which have not proved fully valid in practice:
- The workload of a country office-based CPM is similar to that of a headquarters-based CPM;
  - Service in a country office by a CPM is attractive enough, with a country post allowance to the next grade, to encourage CPMs to move from headquarters;
  - The necessary adjustments to achieve savings by tasking country-based programme assistants can be attained through regular attrition of headquarters programme assistants, without significant re-organization of regional division workflows and without major training of country-level staff.
90. **Findings and recommendations from previous evaluations have been used in the design and implementation of the decentralization, but their application has been sub-optimal.** The Independent External Evaluation of IFAD<sup>36</sup> in 2005 considered it early to make an overall judgement on decentralization but fully endorsed the principle and considered there was already adequate evidence to undertake greater decentralization of CPMs. This recommendation was only slowly taken up.
91. The 2007 CLE of the FPPP<sup>37</sup> found that the Pilot Programme had demonstrated the value of decentralization but had not been fully implemented and that there had been inadequate monitoring of costs and results. The evaluation made a number of

<sup>36</sup> Independent External Evaluation of IFAD, September 2005, IFAD Office of Evaluation.

<sup>37</sup> EB 2007/91/R.6 Corporate-level evaluation of the Field Presence Pilot Programme. 14 August 2007.

recommendations with respect to monitoring, which are discussed further below. It also found that experience elsewhere indicated that:

- Without significant institutional re-organization, decentralization had an incremental cost. IFAD Management did not reject the finding but asserted that, in view of the need to contain the IFAD administrative regular budget, IFAD would absorb decentralization costs;<sup>38</sup>
  - Sub-regional models had significant cost and efficiency benefits and should be piloted. Management was not fully convinced of this recommendation, which it feared would introduce an unnecessary layer in the system, but the model is now being actively considered.
92. Recommendations with respect to monitoring and increased delegation of authority were not rejected by Management but have not been fully implemented either.
93. **IFAD's decentralization was fully relevant in the light of the experience and benefits gained in other agencies, but the experience of those agencies could have been drawn on more systematically.** When IFAD was established, other MDBs and United Nations agencies had an established country presence. Moving on from a liaison function, the main objectives of decentralization for these organizations rapidly became to improve project implementation and to establish closer relations with in-country stakeholders.<sup>39</sup>
94. In terms of lending volume and number of staff, the MDBs are much larger, have a more complex management structure, are involved in many sectors, and have a wider range of products and experience more challenges with matrix management.<sup>40</sup> Similarly, the purposes and business models of FAO and WFP differ from that of IFAD. IFAD's work is often more concentrated in disadvantaged parts of countries, although this is not always the case, and some agencies, such as WFP, work predominantly with the extremely disadvantaged. Each MDB and United Nations agency is unique and has a different organizational culture and corporate objectives. With all these caveats, the experience of other agencies in establishing and operating resident missions provides some useful lessons for IFAD. For example:
- (i) Decentralized offices gradually become part of the way the organization does its business, and the questions of changes in organizational structure become less about decentralization *per se* and more about continuing functional analysis and overall organizational modernization and change.
  - (ii) Nearly all global United Nations agencies have regional offices and some such as FAO have sub-regional offices. Management systems, the amount of delegation and control, and human resource policies vary across the organizations. If sub-regional offices are used, care is needed to ensure that they do not become another bureaucratic layer without adding value.
  - (iii) Decentralization has often been achieved through major organizational change and this has required carefully researched and implemented change management programmes. Corporate leadership has been needed and

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<sup>38</sup> The 2007 Activity Plan stated with respect to PMD: "The issue is one of where to locate staff rather than whether to add staff. Since the benefits of in-country compared to Rome posting are higher and the costs lower, the rational decision is to maximize country presence. The constraint to having an even larger percentage of IFAD staff in country offices is IFAD's capacity to manage a decentralized work force."

<sup>39</sup> Although the proportion of IFAD's total staff assigned to ICOs increased substantially from 1 per cent in 2002 to 13 per cent in mid-2016, the corresponding ratios for MDBs and other Rome-based agencies range from 25 to over 50 per cent for MDBs and up to 92 per cent for WFP (World Bank 40 per cent; AfDB 50 per cent; ADB 25 per cent; EBRD 27 per cent; Inter-American Development Bank 33 per cent).

<sup>40</sup> There are management and organizational issues that have been associated with increasing numbers, roles and responsibilities of country offices: (i) reporting lines, delegation of authority and systems of accountability; human resource policies; budget management; and ICT; (ii) moving international staff to field offices and recruiting more local staff can increase costs; (iii) dispersing sector specialists risks undermining cross-institution knowledge sharing; and (iv) silos can emerge when staff are in many different locations.

human resource and management issues have been identified and addressed (e.g. incentives for people to move, delegation of authority, changes in reporting lines, oversight and risk management systems, communications technology). Issues have often concerned transition management for staff, matrix reporting and ensuring both vertical and horizontal communication and knowledge sharing.

- (iv) Some of the comparators have moved back-office services to low-cost locations.
  - (v) Decentralization and the establishment of country offices has not necessarily been cost-neutral. Typically, additional costs have been incurred for staff and offices. Some organizations, especially in the United Nations system and the International Finance Corporation, have downsized headquarters (and/or the functions in headquarters) as the field presence grew. Both in the United Nations and MDBs, there have often been budgetary provisions agreed by the governing bodies for staff redeployment and redundancy packages.
95. Evaluations in the MDBs and United Nations agencies have confirmed the benefits of country offices and movements toward decentralization, notably in terms of stronger client relations, deeper country knowledge, better country programming, better project design and supervision, improved portfolio quality, faster implementation and procurement, enhanced policy dialogue, analytical work and advisory services, and stronger in-country partnerships.<sup>41</sup>
96. Compared with these organizations, IFAD can be considered to have decentralized fast. There was a large body of experience to draw upon, and the documentation presented to the Executive Board suggests that this was not fully utilized. Initially, for instance, there was limited attention to broader organizational changes, including at headquarters.
97. **By 2013 IFAD could have made a more structured functional analysis** of what is best done in headquarters and what is best done at or close to country level. Such an analysis could well have led to more conscious reform at headquarters level, including options to reduce staff, as well as in the country offices. It could also have meant that more concrete measures were taken to build capacity at the decentralized level for the functions identified.
98. **In sum, the overall objectives and evolving design of the strategy for country presence were valid and the functions of the ICOs relevant, but there were significant areas for improvement.** Some key assumptions were not fully valid. Importantly, the strategies envisaged a greater number of CPMs in the country offices but did not foresee any significant adjustment in the respective roles of headquarters and the country offices. Lessons from IFAD's own experience and from other agencies were not always drawn systematically. Considering that the relevance of the objectives was high but there were gaps in the strategy design, a score of moderately satisfactory is accorded to objectives and design.

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<sup>41</sup> Some weaknesses have been noted in country offices being actively involved in corporate knowledge management and sharing experience and innovation at the country level. See: Evaluation of FAO's Decentralization, PC 92/6a) – FC 108/18 September 2004; Report of the Independent External Evaluation of FAO September 2007, C2007/7A.1-Rev.1; An Evaluation of the World Bank's Organizational Effectiveness – The Matrix System at Work, Independent Evaluation Group – World Bank April 2012; How WFP Country Offices adapt to change: A Strategic Evaluation - Report number: OE/2012/001 December 2011; Review of Management and Administration in the World Food Programme (WFP) JIU/REP/2009/7; Evaluation of the Results of the IDB Realignment, OVE-IDB March 2014; Independent Evaluation of the Decentralization Strategy and Process at the African Development Bank October 2009. EBRD (2016), EBRD's Experience with Resident Offices.

## **B. Internal enabling context, governance and monitoring of the strategy for decentralization**

### **Internal IFAD context and institutional commitment to decentralization**

99. **IFAD has evolved, taking on a steadily growing and widening range of both lending and non-lending functions within its organizational mandate.** IFAD's Strategic Plans and Replenishment documents have given steadily more prominence to IFAD's role in policy dialogue, partnership and analysing and disseminating actionable knowledge from its development work. IFAD's Strategic Plan 2016-2025 identifies three outcomes of IFAD's work:
- Enabling policy and regulatory frameworks at national and international levels;
  - Increased levels of investment in the rural sector; and
  - Improved country-level capacity for rural policy and programme development, implementation and evaluation.
100. In the Strategic Plan, the Pillars of IFAD's Results Delivery include knowledge building, dissemination and policy engagement. The principles of engagement include innovation, learning, scaling up and partnerships. All of these principles of engagement are difficult to apply in the absence of frequent in-country contact and relationships established with national actors, facilitated by country presence. Several of the areas in which IFAD identifies its particular strengths (e.g. value chain development for the rural poor, rural finance, rural collective organization) require intimate specific in-country knowledge if they are to be operationalized by IFAD or other actors in IFAD's role as a knowledge broker. Although principles may be common across countries, their application varies greatly, even within countries, depending on levels of development and education, culture, existing institutions, infrastructure, market access and the agro-ecology.
101. **Some major donors have been very conscious of costs and concerned with fiduciary controls, as well as the applicability of decentralization to a Fund with a small staff. Nevertheless, the Executive Board has cautiously approved each step in the country presence strategy.** Although IFAD Executive Board and Replenishments have emphasized ongoing reform for increased effectiveness, it is evident from the minutes of the Executive Board that there has been a lack of uniformity of views on the desirability of decentralization. This was also noted in the CLE of the FPPP in 2007 and has been linked to concerns about the relative size of IFAD's regular budget (to the programme size), which has led to zero-growth budgets, including under the current replenishment.<sup>42</sup> For example, the Department for International Development's Multilateral Aid Review of IFAD (February 2011) found IFAD's financial resources management to be weak and disbursements low in comparison with other agencies. After the funding authorized by the Executive Board for the country presence pilot, there has been an emphasis on absorbing the costs of country presence, and no additional finance for country presence was approved until 2016 when an IFAD Regular Budget increase of US\$2 million was agreed, of which US\$1.1 million can be attributed to ICOs.
102. **Initially, staff and middle-level management commitment to decentralization was not clear, but it has improved in recent years.** There has been a natural reluctance of staff long-located in Rome to move or see their roles reduced. It was reported to the evaluation in interviews that, initially, regional

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<sup>42</sup> As a percentage of the commitments, the administrative efficiency ratio for 2016 is expected to be 15.1 per cent, compared with the equivalent ratio for the first year of IFAD9 (i.e. 2013) of 14.3 percent. EB 2015/116/R.2 IFAD's 2016 results-based programme of work and regular and capital budgets; the IOE results-based work programme and budget for 2016 and indicative plan for 2017-2018; and the HIPC and PBAS progress reports, 25 November 2015.

division directors resisted a reduction in their direct control but more recently they and professional staff have embraced decentralization, especially in Africa. At the same time, although strategic work-force planning has considered decentralization, there has been reluctance by Management to force through re-balancing in staffing or re-examine the overall organizational model (see also the Efficiency chapter).

### **Governance**

103. **The Executive Board has been apprised and has taken all major decisions with respect to country presence but lacked an adequate base for decision making.** With very few exceptions, country presence has been considered at least once a year by the Executive Board, and the level of detail that the Executive Board has entered into regarding which country offices to open and which CPMs to decentralize would be regarded in many agencies as micro-management. This being said, in the absence of an adequate monitoring and reporting system, as discussed below, the Executive Board did not have a robust basis for decision making, particularly owing to the absence of tracking of how well country offices conformed to the criteria, the inadequacy of criteria for offices covering more than one country and a paucity of cost data.
104. **Internally, the Corporate Decentralization Coordination Group is responsible for coordinating the planning, implementation and monitoring of IFAD's country presence. It now meets regularly but did not so in the past.** The Group is co-chaired by the Associate Vice-President, Programmes; and the Associate Vice-President, Corporate Services Department. It now meets regularly but for several years prior to 2013 it did not, and PMD drove decentralization without adequate corporate oversight. This being said, the approaches of the PMD Regional Divisions have diverged considerably and the extent of mutual lesson-learning has been limited.

### **Monitoring**

105. **The monitoring indicators for IFAD country offices were inadequately defined and do not include cost or efficiency indicators.** Indicators were defined in the IFAD Country Presence Policy and Strategy<sup>43</sup> approved by the Executive Board in 2011 (see annex VI, table 2), which stated that each country office is responsible for providing reports on progress towards targets and monitoring indicators. Indicators are in seven categories, which correspond to ICO tasks. Management agreed with the recommendations of the CLE of the FPPP in 2007 to include cost indicators but these were only very partially tracked or reported, as the necessary adjustments which management had agreed to make in accounting system codes did not take place.<sup>44</sup>
106. Indicators currently cover: (i) outreach and scaling up; (ii) country programme development; (iii) project implementation; (iv) partnership-building; (v) policy dialogue; (vi) knowledge management and innovation; and (vii) country office management. The framework, as introduced, had 25 indicators and six sub-indicators (subsequently reduced to 23 indicators and five sub-indicators). The number of indicators is large and unwieldy. Many indicators include no target, so a trend can be tracked but not progress towards a target. Many of the indicators could be improved but seven are either inappropriate to what they are intended to measure and/or not adequately defined (See table 2 below). For example all the indicators of input to COSOP, project design and supervision ask for the percentage of missions in which ICO staff participated without in any way defining what would be meaningful participation (e.g. mission leadership). For policy change, there is no definition of what it constitutes or how it is to be verified.

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<sup>43</sup> EB 2011/102/R.10/Rev.2 IFAD Country Presence Policy and Strategy, 14 September 2011.

<sup>44</sup> Partial Budget Costs were reported for the period 2008-11.



Table 2

**Indicators and targets that are not clear, appropriate and/or verifiable**

<i>Indicator</i>	<i>Reason for inadequacy – Evaluation judgement</i>
2.1 Number/percentage of design missions in which country office staff participate	The indicator does not define “participation” or indicate what type of input is desired.
2.2 Number/percentage of Results-based COSOPs in which country office staff participate	The indicator does not define “participation” or indicate what type of input is desired.
3.3 Number/percentage of supervision/implementation support missions in which country office staff participate	The indicator does not adequately describe what is considered as “participation”.
3.5 Days between submission of withdrawal application and disbursement	This indicator also depends on the work of IFAD divisions that are not decentralized.
3.6 Project status report ratings for selected fiduciary aspects	The indicator does not indicate which are the selected fiduciary aspects to consider.
5.1 Number of national forums at which IFAD is represented	The purpose should not be to attend meetings, which has little relation to results.
5.3 Policy changes, as a result of IFAD interventions, that address rural poverty issues and changes	The indicator lacks specificity regarding what is policy change and how to assess the change.

Source of indicators: EB 2011/102/R.10/Rev.2 IFAD Country Presence Policy and Strategy, 14 September 2011.

107. **The indicators have not been systematically monitored.** When IFAD’s country presence was reported in 2013, the monitoring indicators did not show if the targets had been achieved. The Country Presence Strategy (2014-2015) only contained an updated version of the indicator targets. In the Update of IFADs Country Presence (2016), the monitoring framework includes a column of achievements, but interviews with IFAD Management confirmed that the indicators have not been systematically monitored. The self-assessment report of IFAD Country Presence Programme (2011) was also critical of indicator monitoring.
108. There is a functioning system in place for the Report on IFAD’s Development Effectiveness (RIDE) data collection, much of which is collected and verified by PMD. It is unclear why the monitoring of ICOs was not integrated into the RIDE or more effort was not made to track expenditure or budget by country and by ICO. Such a tracking system would also require a basic staff- time tracking system if any form of analysis by function is to take place, as is the practice in several of the comparator agencies. In other IFIs, as the decentralization process progressed, ICO data tended to be mainstreamed in the corporate management information systems.
109. **In synthesis**, the Executive Board has been active in oversight, while the internal governance of the decentralization has only recently been revitalized. IFAD has undertaken an increasing range of functions in both lending and non-lending which were intended to be furthered through decentralization. However, the commitment from the Executive Board and the budgeting, internal staff and middle management contexts were initially not fully supportive of decentralization, although with some recent improvements. Monitoring and reporting were not fully appropriate, limiting the basis for both internal governance and Executive Board guidance. The rating for internal enabling context, governance and monitoring of the strategy for decentralization is moderately unsatisfactory.
110. **The overall relevance of the decentralization approach and strategy to IFAD’s mandate and corporate policies is found to be in the “positive zone”** when full account is taken of the pertinence of the objectives, the quality of design, the speed of decentralization, the use made of available information and the internal and external contexts and constraints. In particular, decentralization efforts were pertinent to enhance IFAD’s development results. Some assumptions were not fully valid, such as on cost and the “light touch” approach. The

decentralization process was only in part informed by IFAD’s own experience and those of other organizations. Monitoring and governance had significant gaps. Restructuring of headquarters based on functional analysis should have been part of the decentralization strategy but was not emphasized. Overall it can be argued that **the move towards decentralization was appropriate but an approach better based on structured functional analysis could have emerged earlier**. The rating for relevance is thus moderately satisfactory.

### Key points

- IFAD’s overall objectives and the design of the strategy were valid. An increasing range of functions in both lending and non-lending came to be furthered through decentralization, and decentralization has proceeded relatively quickly.
- However, some of the initial assumptions (e.g. cost neutrality, “light touch”) were not fully valid. Findings and recommendations from previous evaluations have been only in part utilized, and decentralization could have proceeded faster if they had been used fully and if the experience of other organizations had been systematically applied.
- Significant adjustments in the respective overall roles of headquarters and the country offices was not foreseen, and by 2013 IFAD could have made a more structured functional analysis of what is best done in headquarters and at country level.
- Monitoring and governance of the decentralization were inadequate. The Executive Board approved each step of the decentralization and has been active in oversight, but:
  - Monitoring was not fully appropriate and poorly reported, limiting the basis for Executive Board and internal management governance;
  - The budgeting, internal staff and middle management contexts were not fully supportive of decentralization;
  - Internal governance of the decentralization has only recently been revitalized.

### Ratings by evaluation criteria and sub-criteria - Relevance

<i>Evaluation criteria</i>	<i>Evaluation sub-criteria</i>	<i>Rating</i>
Relevance	I.A Relevance of objectives and design	Moderately satisfactory (4)
	I.B Internal enabling context (governance and monitoring)	Moderately unsatisfactory (3)
	<u>Overall rating for Relevance</u>	<u>Moderately satisfactory (4)</u>

## IV. Effectiveness of IFAD's decentralization

111. The overarching evaluation question for effectiveness was assessing the extent that IFAD's decentralization contributed to helping IFAD deliver better on: operational performance (strategy and programme management; non-lending activities; project performance); and development results (impact; gender equality; natural resources management and climate change; sustainability; pro-poor innovation; and scaling up). In assessing effectiveness, the evaluation was guided by the more detailed evaluation questions in the evaluation framework (annex I).

### A. Contribution to improved operational performance

#### A.1.a Contributions to strategy and programme management and project performance

112. Results-based COSOPs embody IFAD's strategy in a country towards the goal of poverty reduction and rural development. **Evidence suggests that the establishment of ICOs contributed to better design and performance of COSOPs.** For instance, the analysis of CPEs and their ratings shows that the presence of ICOs is associated with COSOPs that are more relevant (e.g. more responsive to country priorities and local needs) and also that perform better in terms of delivering results (discussed later in this chapter). More qualitative observations came from the regional workshops (see tables 33-36, annex IV) and interviews with IFAD's development partners, highlighting that country presence had increased IFAD staff exposure to and understanding of government priorities, policies, norms, local practices and operational constraints. This emerged particularly at the time of strategy and project design. Average ratings of COSOP relevance, effectiveness and overall performance are in the moderately satisfactory range, and the rating for countries with ICOs<sup>45</sup> was significantly higher than for those without.<sup>\*\*\*</sup> <sup>46</sup> (see table 10, annex IV). This was corroborated by interviews with key national partners as well as by responses obtained through the CLE e-survey. In fact, 81 per cent of respondents agreed/strongly agreed that ICOs promoted national ownership and direction of IFAD's development assistance and better alignment of IFAD's assistance with national priorities (see tables 7 and 8, annex V).
113. **ICOs have helped identify and design projects focused on reducing rural poverty.** This was the perception and experience that national stakeholders conveyed during regional workshops and interviews. Also, the large majority of the e-survey respondents agreed/strongly agreed and rated this dimension as satisfactory (see table 7, annex V).<sup>47</sup> This was one of the dimensions of ICO performance that received the highest share of satisfactory/highly satisfactory ratings, and this positive view of the contributions of ICOs was widely held by all types of respondents.<sup>48</sup>
114. Despite this positive feedback, this CLE noted that project designs in countries with ICOs do not receive higher quality assurance (QA) at entrance ratings than those in countries without. The average rating for all projects was in the satisfactory range

<sup>45</sup> Countries with ICOs included those in which ICOs were operational for at least four years before the CPE was completed.

<sup>46</sup> The following labels describe the significance of the difference of means tested: (i) highly statistically significant if the P value was less than or equal to 0.01 (\*\*\*); (ii) statistically significant if the p-value was greater than 0.01 and less than or equal to 0.05 (\*\*); (iii) moderately statistically significant if the P value was greater than 0.05 and less than or equal to 0.10 (\*); and (iv) not significant if the p-value was greater than 0.10. In inferential statistics, the P *value* is understood as the probability of obtaining a result equal to or higher/lower (depending on the type of test) than what was actually observed, when a "null hypothesis is true". In this CLE, the null hypothesis is that differences between "with" and "without" ICO observations are equal to zero. If the P value is lower than a certain cut-off point (say 0.1, 0.05 or 0.01), then the finding is not consistent with the null hypothesis which is rejected in favour of the hypothesis that there is in fact a difference between "with" and "without ICO" averages. See Lovric, M. (2011) International Encyclopedia of Statistical Science, Springer-Verlag, Berlin.

<sup>47</sup> 76 per cent of the respondents assigned satisfactory/highly satisfactory ratings.

<sup>48</sup> The others were aligning IFAD's activities with national priorities (76 per cent) and supporting project implementation (77 per cent).

and the difference was not statistically significant. This is not surprising: IFAD's quality standards are the same for all projects, regardless of whether an ICO is involved. If the quality assessment rating is not acceptable, the project will not be submitted to the Executive Board. This institutional incentive is likely to reduce rating differences between "with" and "without" ICOs.

115. **While rated positively, ICOs are reported to be less strong at strengthening IFAD's grant programme.** Feedback provided during interviews indicated that in some countries IFAD's grants were weakly coordinated with the country strategy and programme. The 2014 CLE on the grant programme also found weaknesses in the linkage between grants and country programmes and limited integration of grants into COSOPs. The CLE recommended that country specific grants receive a larger allocation of resources relative to global regional grants, but this recommendation was not followed up.<sup>49</sup> E-survey respondents rated ICO performance in this area on the border between the moderately satisfactory and satisfactory ranges – 56 per cent assigned a satisfactory/highly satisfactory rating, one of the lowest-rated performances among the 15 ICO performance categories.<sup>50</sup>
116. In sum, ICOs help to better align IFAD's country strategy and programme with local needs and priorities by enhancing IFAD's knowledge about the local development context and the government's policies and priorities. They also help to identify and design projects focused on rural poverty. These are clear strengths of IFAD's country presence. The contribution of decentralization to improving the quality of COSOPs and the project identification and design is rated as satisfactory.

#### **A.1.b Contribution to project supervision and implementation support**

117. IFAD and all MDBs recognize that effective project supervision and implementation support are essential for project success and for achieving good development outcomes. It is widely recognized that having staff in the field enhances project supervision and implementation support.<sup>51</sup> When MDBs initially set up their country offices, the main tasks were portfolio management, project supervision and supporting project implementation.
118. **The change in IFAD's operational model by combining direct supervision with country presence was a transformative organizational change.** Direct supervision and developing a country presence are closely linked. Direct supervision had a major impact on the work of CPMs, and set in motion a gradual shift of some of IFAD's work from headquarters to the field. Providing implementation support covers a wide range of activities (e.g. development, technical, financial, administrative). Many IFAD staff members recalled that the 2007 introduction of direct supervision as the standard modality at IFAD was one of the factors that helped further the country presence agenda. There is evidence through past evaluations and CLE interviews that ICOs help to better prepare supervision missions, particularly by coordinating with national partners and more accurately focusing on key project performance issues.
119. **Arguably, one of the most important contributions of ICOs has been to project implementation support.** There was strong consensus on this in regional workshops (tables 33-36, annex IV) and country case studies. Relative to headquarters, ICOs have comparative advantages and assure better continuity and

<sup>49</sup> The ceiling of resources allocated for grants is currently set at 6.5 per cent of IFAD's annual programme of loans and grants, of which 5 per cent is for global/regional grants and only 1.5 per cent for country-specific grants.

<sup>50</sup> While 66 per cent of non-IFAD respondents rated the performance of ICOs in strengthening IFAD's grant programme as satisfactory/highly satisfactory, the corresponding figure for IFAD staff was 40 per cent – 26 per cent of IFAD staff rated the performance of ICOs below moderately satisfactory in this area.

<sup>51</sup> AfDB. Independent Evaluation of the Decentralisation Strategy and Process at the African Development Bank. 2009. ADB. Resident Mission Policy and Related Operations: Delivering Services to Clients. 2007. ADB. Decentralization: Progress and Operational Performance. 2013.

follow-up: easier communication with counterpart ministries and more frequent follow-up. Even well designed and well managed projects are bound to face some blockages during implementation, due to complicated administrative and bureaucratic procedures and interpretation of rules and requirements. The presence of IFAD staff in the country who can frequently interact with stakeholders (and in the local language when needed) avoids cumbersome and protracted correspondence with headquarters, which can cause delays of weeks or months. Some ICOs offered training courses for various topics related to project supervision and implementation support (e.g. monitoring and evaluation (M&E), financial management, procurement) to build project management capacity. Of course, the quality of results achieved depends on ICO staff experience, personality, commitment and standards.

120. E-survey respondents rated ICO performance as satisfactory in terms of supporting project implementation – 77 per cent assigned a satisfactory/highly satisfactory rating (one of the top ratings among 15 ICO performance dimensions).<sup>52</sup> They also agreed that ICOs performed satisfactorily in identifying and resolving problems<sup>53</sup> and in making decisions in a timely manner (tables 7 and 8, annex V). Overall, the feedback from the survey, interviews and case studies was that country presence helped improve IFAD’s overall institutional performance.
121. **There was consistent feedback that ICOs were under-resourced relative to their assigned responsibilities.** This view was most strongly held by clients in countries with ICOs and by IFAD staff, both headquarters and ICO-based, and concerned financial resources, staffing and expertise available. This aspect is discussed more in detail in the Efficiency chapter.
122. While evidence is robust through triangulation between difference sources on the ICO contribution to quality of supervision and implementation support, **evidence from internal portfolio indicators is more mixed**, as explained below.
123. *Country presence contributed to shortening the time from project approval to entry into force.* When countries with and without ICOs were compared, on average 69 fewer days were required for projects to enter into force in countries with ICOs, a difference that was strongly significant.<sup>54</sup> The same pattern held when projects were compared before and after ICOs were established.<sup>55</sup> CPM-led ICOs performed better than CPO-led ICOs in accelerating projects entering into force. About 105 fewer days were required for projects to enter into force in countries with CPM-led ICOs than in countries with CPO-led ICOs (see tables 21-22, annex IV).
124. *There is no clear evidence that ICOs contributed to reducing the time required to process withdrawal applications.* It is important to note that processing withdrawal applications was largely the responsibility of the Controller’s and Financial Services Division (CFS) (now moved to the Accounting and Controller's Division, ACD) not of ICOs.<sup>56</sup> Because of procedural improvements, during the past few years there has been a marked reduction in the time required to process withdrawal applications across the board. Since January 2012, the formal involvement of CPMs/PMD has been limited to certifying that the withdrawal application was for IFAD-funded

<sup>52</sup> The other ratings in this top cluster were for aligning IFAD’s assistance with country priorities and identifying and designing good projects focused on rural poverty.

<sup>53</sup> Sixty-seven per cent of respondents rated the ICOs’ performance in identifying and resolving problems as satisfactory/highly satisfactory. Sixty-one per cent of respondents rated the ICOs’ performance in making decisions in a timely manner as satisfactory or highly satisfactory.

<sup>54</sup> On average it took 288 days for projects to enter into force.

<sup>55</sup> The period between approval and entry into force was shorter\*\* by 73 days after ICOs became operational.

<sup>56</sup> In mid-2016, CFS was divided into two divisions: Financial Management (FMD) and Loan Administration and Disbursement (ACD). ACD is responsible for maintaining IFAD’s accounts (including ICO ledgers) while also processing the Fund’s administrative and operational expenses, including those for ICOs; and for loan and grant administration, including disbursements. Until April 2016, certification by CPM was required for all types of withdrawal applications. At present, ACD reviews withdrawal applications *ex ante* in headquarters, and finance officers and financial management consultants during missions review the documentation *ex post*. The withdrawal application is reviewed by an assistant and then by a financial officer before it is sent to the Treasury Services Division for payment.

procurement and consistent with the Annual Work Plan and Budget before ACD can process the withdrawal application. ICOs also provide in-country advice and sometimes training on IFAD's procedures for withdrawal applications and disbursements. The quantitative analysis of the withdrawal applications processed in 2015 showed that, in fact, it took on average one day longer to process withdrawal applications in countries with ICOs. It is not clear whether this is because ICOs more rigorously screen withdrawal applications or because the ICOs are an added bureaucratic level.<sup>57</sup>

125. *There is a correlation between ICO presence and reduced time to first disbursement.* In the sample examined (2003-2015), the time taken to make the first disbursement after approval was typically about 1.6 years, regardless of whether there was an ICO in the country. Although it took 55 fewer days to make the first disbursement in countries with ICOs, compared to countries without ICOs, the difference was not statistically significant. CPM-led ICOs performed better than CPO-led ICOs in improving efficiency by reducing the time from approval to first disbursement. On average it took 1.6 years to make the first disbursement in countries where the ICO was CPO-led, compared to 0.9 years in countries with CPM-led ICOs. This difference, about 270 days or 9 months, was strongly significant (see tables 19 to 22, annex IV).
126. *There is no evidence of ICOs' contributing to shortening the project implementation period.* Many factors have an influence on the time required to implement projects, not all of which are within the control of IFAD or ICOs.<sup>58</sup> The project duration was analysed for the 143 projects that were approved from 2003 and closed by 2015; there were 57 projects in countries with an operational ICO for at least two years before project closure. Projects were completed in a shorter time in countries without ICOs than in countries with ICOs, and the differences were significant: (i) 7.6\*\* months longer with an ICO from approval to completion; and (ii) 9\*\*\* months longer from entry into force to completion. However, some of these 57 projects were in an advanced stage of implementation when the ICOs were established. In such cases it was probably beyond the capacity of ICOs to make up for lost time caused by decisions made several years before.
127. *There is no consistent evidence that ICOs significantly contributed to improving project administration indicators.* The analysis was based on the latest cohort of project status reports (PSRs) (2015) rating of 11 dimensions of project administration.<sup>59</sup> The ratings were higher in countries with ICOs for performance of M&E.\*\* However, ratings were higher in countries without ICOs compared to countries with ICOs in three areas related to the quality of project financial governance: (i) quality of financial management\*\*; (ii) acceptable disbursement rate\*\* ; and (iii) quality and timeliness of audits.\*\*<sup>60</sup>
128. In sum, there is convincing evidence that ICOs were effective in supporting the supervision process and, even more so, in improving the quality of implementation

<sup>57</sup> A more detailed analysis was undertaken of the time required to process withdrawal applications by low-, medium- and high-risk ratings. As expected, the time required to process withdrawal applications was shortest (about ten days) when ICO risk ratings were low, and longest (about 17 days) when risk ratings were high. While ICOs helped to shorten by two days the time required for low-risk projects, it took two days longer to process withdrawal applications in high-risk countries with ICOs. There was no significant difference for countries with a medium-risk rating. The same pattern was evident when a sensitivity analysis was done focusing on ICOs that had been operational for four or more years. In 2016 it was agreed that PMD and CPMs would no longer provide certifications for low-risk projects, except for direct payments to suppliers and initial advances to projects.

<sup>58</sup> On average it has taken a little over eight years to complete an IFAD project after approval, about 1.4 years longer than originally anticipated. There is some evidence that the duration of project implementation is slowly declining.

<sup>59</sup> The dimensions are: (i) effectiveness lag; (ii) quality of financial management; (iii) acceptable disbursement rate; (iv) counterpart funds; (v) compliance with financing covenants; (vi) compliance with procurement; (vii) quality and timeliness of audits; (viii) quality of project management; (ix) performance of M&E; (x) coherence between the annual work plan and budget and implementation; and (xi) exit strategy (readiness and quality).

<sup>60</sup> Sensitivity tests for cases in which the ICO had been in operation for four and eight or more years were broadly consistent with these findings and did not show any measurable impact of ICOs on these 15 dimensions of project administration.

support (continuity of engagement, availability and follow-up) and this is largely consistent with the findings of past evaluations.<sup>61</sup> The analysis of project-level indicators (pace of implementation, disbursement, administrative issues) yields less consistent findings although it is recognized that some of these are in part beyond control or responsibility of ICOs. All elements considered, the *rating for the contribution to quality of supervision and implementation support is satisfactory*.

### **A.1.c Contributions to achieving better project performance**

129. This section reviews criteria that are part of the “project performance” of independent evaluations. Much of the analysis is based on ratings from Project Completion Report Validations and Project Performance Evaluations available in the IOE ARRI databases.<sup>62</sup> **Three caveats must be born in mind** when interpreting these results (as well as those of this chapter’s further section on development effectiveness). First, many factors other than the work of ICOs influence project performance, including the enabling environment (e.g. government policies, local institutional capacity, macro-economic conditions, political stability and security conditions), market conditions and price movements, climatic factors, and the availability of counterpart funds.
130. Second, on average it takes eight years to implement IFAD-financed projects. There are few projects that were identified, designed, approved, implemented and evaluated after an ICO was established. Most of the projects that ICOs helped to identify and design are still under implementation. For the purposes of the analysis it was assumed that ICOs could have an influence on project performance if they were operational for at least two years before project completion.<sup>63</sup>
131. Third, the establishment of country offices was not assigned randomly and it cannot be assumed that countries with and without ICOs share the same salient characteristics. The type of dataset and the limited number of observations prevented the use of more sophisticated statistical techniques (e.g. instrumental variables or propensity score matching). However, the evaluation team conducted sensitivity analysis for small vs. large projects<sup>64</sup> that yielded consistent results.
132. **The analysis of project ratings shows that ICOs contributed to better project effectiveness.** Until 2015, project performance was a composite criterion of relevance, effectiveness and efficiency.<sup>65</sup> Key findings from the statistical analysis are displayed in figure 3 (and further detailed in table 1 of annex IV). Ratings for effectiveness are higher in countries with an ICO (here defined as having an ICO operational for at least two years before completion), and this is statistically significant.\*\*\* It is also to be noted that, moving from “without” to “with” ICO, the average rating shifts from below moderately satisfactory (3.89) to ratings that are well in the positive zone (4.40). While other factors may have been at play, it is plausible that this result is connected to the important work of implementation support performed by ICOs, notably problem solving, follow-up to implementation problems and anomalies, as well as guidance provided to project management teams. This would be in line with the type of responses received during country case studies and regional workshops and often-observed patterns during previous evaluative IOE work, and validates the expected “chain of results” that moves from implementation support to better delivery of immediate project objectives.

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<sup>61</sup> Direct supervision and implementation support was the learning theme of the 2011 ARRI and the subject of the 2013 CLE on IFAD’s Supervision and Implementation Support Policy.

<sup>62</sup> The sample considered included 85 project completion report validations, 39 project performance assessments, 2 impact evaluations and 30 other project evaluations.

<sup>63</sup> Of the 155 projects, 103 were in the “without the ICO” group and 52 were in the “with the ICO” group.

<sup>64</sup> Defined as projects above or below the median loan amount.

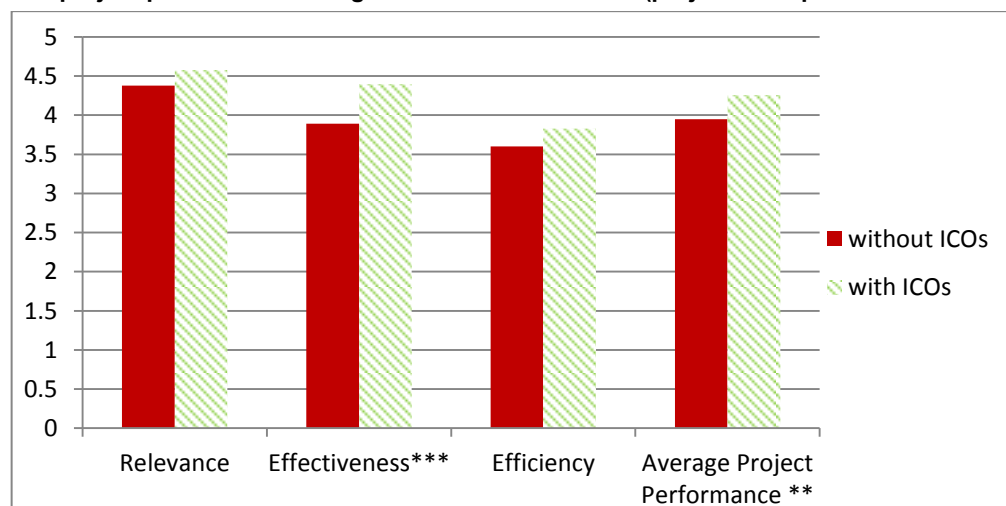
<sup>65</sup> It was defined as the arithmetic average of these ratings. In 2016, the definition of performance changed with the introduction of the second edition of the Evaluation Manual and now includes sustainability of benefits.



133. **Ratings were higher but not statistically significant for relevance and efficiency dimensions of project performance.**<sup>66</sup> With or without ICO, ratings for relevance were in the satisfactory zone, and this is where marginal improvements are more challenging. Relevance is also largely determined at the time of project identification and design, although some rectification is possible during implementation. For the majority of projects rated in the databases, no ICO was operational during that phase.

Figure 3

**IOE project performance ratings with and without ICOs (projects completed 2007 – 2015)**



Source: CLE Analysis of ARRI Database (2016).

134. For both with and without ICO, the average rating for efficiency was below 4 (moderately satisfactory) and the difference not robust to statistical tests. This finding is on balance not surprising. Efficiency is highly sensitive to project performance, notably capacity and management and technical skills of the project team. In many instances, the ICO was established at a later stage in the project life cycle, and it would not be realistic to expect that it could solve efficiency problems that had accumulated during the earlier years of implementation.
135. **Average project performance ratings were significantly higher with ICOs** and this is likely to have been driven by the higher ratings of effectiveness. Again, the rating shifts from below (3.95) to above (4.26) the moderately satisfactory thresholds as the without and with ICO is considered. As has been noted by the previous ARRI, the proportion of projects that IOE rated as moderately satisfactory and satisfactory has gradually increased and has exceeded 80 per cent for projects completed in 2011 or later. It would not be without some foundation to infer that the decentralization process (especially ICOs) has reinforced implementation support and played an important role in fostering this trend.
136. In sum, the *contribution to achieving better project performance is rated as satisfactory*, having taken due considerations of the criteria that can be more/less affected by country presence in the above time frame.
137. *Overall the contribution of decentralization to strategy, programme management and project performance can be assessed as satisfactory*, based on the sub-dimensions of strategy preparation, contribution to supervision and to implementation support and project performance. Equally important, this CLE validates one of the assumptions of the implicit theory of change of

<sup>66</sup> Sensitivity testing broadly confirmed these findings. If the ICOs were in operation for four or more years before... project completion, ICOs had a discernible positive influence on overall project achievements<sup>\*\*\*</sup> and effectiveness<sup>\*\*\*</sup>. The influence of ICOs in contributing to better project outcomes is clearer for smaller projects than for larger projects. The higher ratings for small projects were significant for overall project achievement<sup>\*\*\*</sup>, effectiveness<sup>\*\*\*</sup> and average project performance<sup>\*\*</sup>. For large projects, only the higher rating for effectiveness<sup>\*\*\*</sup> was significant.



decentralization, by illustrating the mechanism that better implementation support can lead to better delivery of the immediate project results. It remains to be seen whether in the future, as ICO presence consolidates, criteria such as relevance and efficiency can also be positively affected.

## **A.2 Contributions to non-lending activities**

138. As noted in the Relevance chapter, non-lending functions have acquired growing importance in IFAD's business model and there were expectations that decentralization would contribute to that. This is explored in the sections below.

### **A.2.a Contributions to better knowledge management**

139. Many divisions and departments contribute to knowledge management.<sup>67</sup> At the institutional level, key roles are played by the Strategy and Knowledge Department (SKD) (for global and corporate knowledge management) and PMD (for regional, country, thematic and project-level knowledge). The Communications Division manages *IFAD.org* and corporate communications. In PMD the regional departments, the Policy and Technical Advisory Division (PTA) (through its notes and toolkits), the Environment and Climate Division (ECD), ICOs and projects are all involved in knowledge generation and management activities. IOE also contributes to knowledge generation, dissemination and management through its evaluation products, learning events, dedicated knowledge products and online material.
140. Many projects produce knowledge products, some of which are supported by PTA and Environment and Climate Division (ECD) grants. According to the CLE case studies and regional workshop discussions, ICOs have the potential to contribute by: (i) acting as a hub for knowledge management platforms and disseminating knowledge products; (ii) being closely connected with project implementation, which enables ICO staff to capture and share lessons and best practices,<sup>68</sup> if there is "buy-in" from CPMs; (iii) providing training on knowledge management to local partners; and (iv) organizing study visits to other countries/projects. However, ICO case studies found that many ICOs had limited resources and allocate little time to these activities.
141. The approach to knowledge management varies across PMD divisions. Some regional divisions have dedicated knowledge management positions and in others portfolio advisors, senior CPMs and/or senior economists, with the support of a programme assistant, are the knowledge management focal points. Box 1 describes APR's out-posting of the division's knowledge management coordinator to the Hanoi hub. In some ICOs (e.g. China, Sudan) associate programme officers work on knowledge management and in others country programme assistants play an important role.
142. **There is no platform to facilitate access to country/project-specific knowledge products.** While there are examples of project-level knowledge products,<sup>69</sup> PMD's regional divisions do not systematically track and monitor these products. To be useful, knowledge must be codified, catalogued, retrievable and disseminated (see also the 2016 ARRI, for which knowledge management was the annual theme). IFAD has not yet been able to establish an electronic platform that people inside and outside IFAD can easily use to identify and retrieve knowledge

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<sup>67</sup> All MDBs sought to become learning institutions from the mid-1990s onward and have invested resources in knowledge management. IFAD's 2007 knowledge management strategy defines knowledge management as the process of "capturing, creating, distilling, sharing and using know-how" and states that IFAD will strive to be an organization that systematically learns from its projects and programmes. IFAD's knowledge management system has learning and adaptation at its core, which is supported by four pillars: (i) innovation and experimentation; (ii) information management; (iii) monitoring and evaluation; and (iv) communications.

<sup>68</sup> Examples given in the LAC workshop of promoting knowledge management and learning included PROCASUR, south-south cooperation and some specific cases (e.g. rural talents, rural finance).

<sup>69</sup> One of many examples was the booklet *Indonesian Coastal Community Development: Experience and Lessons Learned*. December 2015.

produced at the ICO, project and country levels on topics that are of interest to them. A Knowledge Management Action Plan is being prepared that includes plans for a knowledge management platform and strategy and the creation of new systems. SKD plans to develop a project knowledge series. However, these will not replace the need to develop a knowledge management system covering knowledge products at the country, ICO and project levels.

143. Several factors constrain the flow of knowledge from the ICO/country/project levels: (i) there are weaknesses in the M&E systems for knowledge management in COSOPs and projects;<sup>70</sup> (ii) there are different applications within IFAD that manage different elements of project-level knowledge;<sup>71</sup> (iii) delivery of knowledge management results is not included in the annual performance reviews of staff; (iv) there are unsatisfied human and financial resource needs at the country office level; and (v) country pages on IFAD.org include relatively little information (few or no country or project knowledge products or links to them),<sup>72</sup> predominantly in English, and contain nothing in local languages, thus limiting dissemination to local stakeholders and sometime leading to sub-optimal situations.<sup>73</sup>

Box 1

**Knowledge management and the outposted APR knowledge management coordinator**

APR's core knowledge management team includes a knowledge management coordinator who is one of the outposted CPMs in the Hanoi hub, the regional economist in headquarters and one dedicated programme assistant in headquarters. CPMs and CPOs are also part of the APR knowledge team and regularly interact with the core members. The approach of APR's knowledge management coordinator is to use knowledge to support country-based results management through knowledge-driven COSOPs that include knowledge-related M&E indicators.

Transforming Hanoi into a regional hub and out-posting the APR knowledge coordinator opened up opportunities to use knowledge to raise IFAD's profile in the region and for IFAD to become more closely integrated into regional knowledge systems (e.g. Association of Southeast Asian Nations (ASEAN), Greater Mekong Sub-region). Managing knowledge through a regional hub helps to: (i) avoid knowledge silos in countries; (ii) share information on common issues and project experiences across the region; and (iii) undertake joint cluster case studies, develop regional learning routes and contribute more effectively to IFADAsia contents, IFAD's regional knowledge management platform.

IFADAsia contains a wealth of information (e.g. news, blogs, events, discussions, resources, images, videos). The APR knowledge management coordinator uses Google analytics to track the use of the 3,000-member IFADAsia webpage (i.e. sessions, users, page views, pages/sessions, average session duration, bounce rate, per cent new sessions, users by country).

Sources: Interviews, document reviews and APR Knowledge Management 2016 Action Plan, June 2016.

144. The Communications Division manages "IFAD.org" which is intended as a communication tool to disseminate IFAD's corporate messages to carefully targeted audiences. The Field Communication and Capacity Development Team works in tandem with Regional Communication Officers in place in four regions. A number of separate project or thematic websites and systems are being developed to share information. IFAD is emerging from a highly centralized approach in this area. A more decentralized approach would require training IFAD staff in the use of multiple interfaces and protocols to be put into place. There is an ongoing review of IFAD.org and other possible tools that could be used to promote communications and manage and disseminate information. This includes connecting press releases, publications and other knowledge resources, such as blogs, to the country pages. The Communications Division is also investigating how to connect grants information to the country/regional pages.

<sup>70</sup> Knowledge management plans are not yet systematically built in to COSOPs and projects that view knowledge as something that will help to achieve objectives and is covered by the associated M&E systems.

<sup>71</sup> <http://intranet.ifad.org/jobaids/webapps.htm>.

<sup>72</sup> In MDB's country home pages, embedded in the corporate webpage are the first place to visit to find country-specific information.

<sup>73</sup> For example, in Indonesia several projects translated IFAD guidelines into Bahasa Indonesian. It would be more efficient to translate the guidelines once and make them available to all project offices via IFAD.org/Indonesia.

145. The analysis of CPE ratings for the performance of knowledge management showed no statistically significant differences between the averages of countries with ICO (see table 10, annex IV) and those without. E-survey responses corroborated these observations. Less than half (48 per cent) of all e-survey respondents rated the knowledge management performance of ICOs as satisfactory/highly satisfactory (IFAD staff's rating were significantly\*\*\* lower than those of non-IFAD respondents).
146. In sum, the performance of ICOs in the area of knowledge management is rated as moderately unsatisfactory. While projects and ICOs do, in fact, produce project-related knowledge, IFAD's knowledge management systems do not effectively organize this material so that people who might wish to use it can easily retrieve it. Consequently IFAD staff and stakeholders outside of IFAD cannot make full use of the project-related knowledge that is produced.

### **A.2.b Contributions to strengthening partnerships at the country level**

147. IFAD recognizes the importance and value of partnerships as a means to achieve its development objectives. **The presence of ICOs increases IFAD's interaction with a broad range of local stakeholders.**<sup>74</sup> ICO staff reported spending considerable time on partnership activities. CPMs, other international staff and national officers each devoted 17 to 18 per cent of their time to building partnerships and relations. Building IFAD's partnership with governments accounted for most of the time CPMs allocated to partnership activities. Findings were quite distinct according to different types of partnership.

#### **A.2.b.i Partnerships with governments**

148. Partnerships with governments were viewed as IFAD's most important ones. According to the ICO fact sheets returned to this CLE, CPMs in ICOs and CPOs spend about 12 per cent and 10 per cent of their time, respectively, on partnership-building with governments and on IFAD representation and image building.
149. **Evaluation evidence suggests that country presence strengthened IFAD/government partnerships and was positively correlated with domestic financing.** This was consistently the perception of government officials interviewed and participating in workshops (see tables 33-36, annex IV). In their e-survey responses, government officials in countries with ICOs rated ICO performance as satisfactory for each of five dimensions.<sup>75</sup> Moreover, 94 per cent of government officials involved with IFAD prior to the establishment of the ICO in their country felt that the ICO improved IFAD's performance (15 per cent, somewhat better; 44 per cent, better; 36 per cent, much better). Further evidence came from the analysis of domestic financing for IFAD projects, despite the fiscal constraints and competing priorities in IFAD's client countries. The share of domestic financing was three percentage points higher and statistically significant\* when countries were compared with and without ICOs; comparisons between "before" and "after" ICO yielded even stronger findings (tables 11-14, annex IV).

<sup>74</sup> E-survey responses from local stakeholders reported that 46 per cent met with IFAD staff once a month or more in countries with an ICO. In countries without ICOs, 13 per cent had the same degree of contact and 53 per cent met IFAD staff once or twice a year or never. Local stakeholders living in countries with ICOs were more familiar with IFAD's activities and operations than those living in countries without ICOs.

<sup>75</sup> Namely: (i) adequacy of the scope and responsibilities of the office; (ii) adequacy of the decision-making authority of the office; (iii) enhancing national ownership and direction of development assistance; (iv) decreasing the burden on government for formal and informal reporting to IFAD; and (v) effectively managing the IFAD/government relationship. The proportion of government officials rating ICO performance as satisfactory/highly satisfactory ranged from a low of 69 per cent for the adequacy of the decision-making authority of the office to a high of 82 per cent for effectively managing the IFAD/government relationship.

150. In sum, considering qualitative evidence and data on domestic financing, the contribution of ICOs to building and strengthening IFAD's partnerships with governments is rated as highly satisfactory.

#### **A.2.b.ii Partnerships with the MDBs and bilateral aid agencies**

151. **Country presence increased information sharing and IFAD's participation in the local aid community.** Country presence, or presence in a nearby hub, made it more likely that IFAD would attend, and sometimes co-chair, the sectoral donor coordination meetings, something that was appreciated by both governments and the local donor community (e.g. Kenya,<sup>76</sup> Laos, Philippines, Tanzania<sup>77</sup> and Viet Nam).<sup>78</sup>
152. The amount of cofinancing is an indicator, albeit crude, of the strength of partnerships with international development organizations. Between 2003 and 2015, the international cofinancing mobilized for IFAD projects totalled US\$3.6 billion, of which US\$3.0 billion was from multilateral sources and US\$0.5 billion was from bilateral sources. IFAD's top cofinancing partners were the International Development Agency (US\$1.0 billion), ADB (US\$0.8 billion), OPEC Fund for International Development (OFID) (US\$0.5 billion), AfDB (US\$0.3 billion), Islamic Development Bank (US\$0.1 billion) and the European Union (US\$0.1 billion).
153. **At the aggregate level there is no evidence that ICOs catalysed more international cofinancing for IFAD projects.** The share of international cofinancing as a percentage of total project costs was 5 to 6 percentage points lower for both with and without ICO comparisons across countries after ICOs were established\*, and before and after ICO comparisons in the same country\*\* (see tables 11-15, annex IV). As noted during the country case studies, this reflects a number of factors: (i) many donors have indicative programming figures for countries that cannot always be increased because of a potential cofinancing opportunity with IFAD; (ii) each donor has its own priorities for engagement in countries that may, or may not, be aligned with IFAD's; (iii) some donors make major cofinancing decisions in headquarters rather than in the field;<sup>79</sup> (iv) governments may not prioritize cofinancing an IFAD project in allocating a largely fixed envelop of donor funds and some countries may prefer "specialized donors" according to geographical area or sub-sector; and (v) the work of the Office of Partnerships and Resource Mobilization is headquarters-centred and concentrates on mobilizing resources and special funds with partners – it is not directly linked to operations at the country level.
154. **However, for some multilateral donors, ICOs contributed to mobilizing additional international financing (e.g. ADB, European Union, AfDB).** The evidence is clearest for ADB. Between 2003 and 2015 ADB provided a total of US\$847 million to cofinance IFAD projects. Of that, US\$721 million (85 per cent) was provided to countries after ICOs were established. Of the US\$721 million in ADB cofinancing that was associated with the presence of ICOs, US\$600 million

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<sup>76</sup> In Kenya the CPM, ICO staff and all partners (i.e. government, UN Rome-based agencies, MDBs and the private sector) believed that having an ICO improved IFAD's visibility and possibilities for partnerships. Although AfDB and World Bank staff interviewed did not have much experience working with IFAD in Kenya, they emphasized the importance of participation in the agriculture donor group for knowledge sharing and identification of opportunities for joint work. They gave some positive examples of collaboration with IFAD in other countries with ICOs where they had worked (e.g. Sudan, where IFAD studies were useful for a sector review; Ghana, where they had co-financed a project and undertaken joint supervision).

<sup>77</sup> In Tanzania the ICO staff and all partners were convinced that having an ICO increased opportunities for partnerships, although it was somewhat undermined by the rapid turnover of CPMs.

<sup>78</sup> In their e-survey responses, 64 per cent of representatives of local donor community in countries with ICOs agreed/strongly agreed that with a country office: (i) IFAD was well integrated into the country-level or sectoral/thematic donor coordination mechanisms; and (ii) IFAD staff regularly attended local coordination meetings. In comparison, only 41 per cent of local donor respondents from countries without ICOs agreed/strongly agreed.

<sup>79</sup> Australia, Canada, France, and Japan tend to centralize decisions on which partnerships or activities to engage in while the Nordic countries, the Netherlands and the United Kingdom typically leave such decisions to their field offices. Source: ADB. Effectiveness of Asian Development Bank Partnerships. 2016.

went to countries where the ICO was CPM-led and US\$121 million went to countries where the ICO was CPO-led (see table 15, annex IV). ICOs played an important role in helping to strengthen the ADB/IFAD partnership, something that has been documented in both IFAD and ADB evaluations.<sup>80</sup>

155. In sum, given the mixed nature of the findings, decentralization and ICOs are rated as moderately satisfactory in strengthening IFAD's partnerships with the donor community.

### **A.2.b.iii Coordination with Rome-based and other United Nations agencies**

156. Increasing cooperation between the United Nations Rome-based agencies has been a concern of the Executive Board for many years. The a priori expectation was that ICOs would contribute to deepening IFAD's partnerships with these agencies for a number of reasons: they have thematic affinities; there is some overlapping in country composition of executive boards; IFAD is a United Nations agency; the United Nations has adopted the One UN approach; and nearly all ICOs are hosted by UNDP or FAO.
157. **Overall, evidence suggests that ICO helped establish more regular contacts but did not significantly strengthen substantive and programmatic collaboration.** For example, ICOs allow IFAD to be better integrated into the existing United Nations country-level or sectoral coordination mechanism. E-survey respondents from United Nations agencies were optimistic about opportunities for collaboration and joint work (depending on the specific question, 67 to 79 per cent agreed/strongly agreed about improved opportunities; see table 10 in annex V).
158. However, in many cases, these opportunities did not translate into reality, as shown through ICO case studies and regional consultation workshops. ICOs contributed to sharing of information at the country level between IFAD, the other Rome-based agencies and the United Nations system, but tangible examples of enhanced cooperation beyond sharing of information that could be attributed to the presence of an ICO (e.g. Kenya, Laos, Rwanda) were exceptions rather than the norm. While ICOs were members of the United Nations country teams, their participation was deliberately limited because such meetings were viewed as time consuming and not adding much value to IFAD's operations. ICOs generally viewed IFAD's participation in the One UN Initiative as a low priority, given that IFAD's operating model is different and more akin to that of MDBs. Given their multiple responsibilities and limited staffing, ICOs made a pragmatic decision to participate selectively in such meetings.<sup>81</sup>
159. While the sectoral coverage of IFAD and FAO are similar, their services differ, with IFAD's core business being financing projects and FAO's core business being providing expert services and knowledge products. Much of the cooperation between IFAD and FAO, or its Investment Centre, is reliant on IFAD mobilizing financing from its internal resources or grants to pay for FAO's services.<sup>82</sup>

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<sup>80</sup> In addition, interviews with the Development Bank of Latin America (Corporación Andina de Fomento, CAF), undertaken during the Peru ICO case study, found that CAF was interested in working with IFAD on value chains and linking major producers and processors with small producers, an area where IFAD has expertise. A Memorandum of Understanding for expanded collaboration was signed in Rome as a result of a headquarters-driven initiative in 2015. However, in implementing the agreement, CAF found it easier to discuss options with the Peru ICO, which could direct CAF representatives to the right contacts in IFAD. Cofinancing is currently being considered in a new project in Ecuador, although this is subject to the agreement of the Government.

<sup>81</sup> An analysis of IFAD's cofinancing data with Rome-based agencies and UNDP corroborated the findings of the ICO case studies. Between 2003 and 2015 WFP (US\$44.1 million), UNDP (US\$7.3 million) and FAO (US\$2.1 million) provided a total of US\$53.4 million combined to cofinance IFAD projects. All FAO and UNDP cofinancing was in countries without ICOs or prior to ICOs being established in the country. For WFP, 11 per cent of its cofinancing was in countries after an ICO was established and 89 per cent was unrelated to the presence of an ICO.

<sup>82</sup> The 2014 CLE on the grant programme found that between 2004 and 2013 FAO was the largest recipient of IFAD grants [64 grants (9 per cent of the total); US\$29 million (7.6 per cent)].

160. In sum, the contribution of country presence to deepening IFAD's partnerships with the United Nations and Rome-based agencies is rated as moderately unsatisfactory. PMD's 2016 functional review calls for, inter alia, stronger partnerships with, and outsourcing some technical work to, FAO's Investment Centre, CGIAR centres, the Rome-based agencies and the UN Committee on Food Security/High Level Panel of Experts on Food Security and Nutrition. Time will tell if this vision becomes a reality.

#### **A.2.b.iv Non-government stakeholders**

161. IFAD has a long tradition of working with organizations representing the rural poor. Most projects involve beneficiary organizations that help identify, design and implement small, community-driven project components.
162. Directly involving civil society organizations representing the rural poor in projects is one of IFAD's comparative strengths relative to other MDBs. ADB representatives interviewed felt that complementary institutional comparative advantages – ADB financing rural infrastructure and IFAD's proven track record of successfully working with organizations representing the rural poor – promote a deeper partnership and cofinancing between the two organizations.<sup>83</sup>
163. **The assessment is positive but it is difficult to discern differences between with and without ICOs case.** There was consensus between country case studies, workshops and e-surveys<sup>84</sup> that IFAD performed well at: (i) reaching out to, and consulting with, non-government stakeholders; (ii) involving non-government stakeholders in designing its operations; and (iii) involving non-government stakeholders in assessing its operations. However, there were no clear differences in the above dimensions between countries with and without ICOs, particularly from the survey.<sup>85</sup>
164. **There are cases in which country presence has facilitated partnerships with private sector entrepreneurs. However, these partnerships – when existing – are more often initiated by project management teams than by country offices.** While some examples of established partnerships exist (e.g. on maize in Ghana, cocoa in Indonesia, tea in Rwanda, oil palm in Uganda),<sup>86</sup> these were often initiated in the absence of a country office, although the latter played a facilitating role later on. During this CLE's country visits, there was some evidence of an IFAD/private sector interface with projects in both Kenya and Tanzania: in all cases the initiative had emerged from the private sector and the managers of IFAD-funded projects.<sup>87</sup> Small-scale indigenous entrepreneurs in Viet Nam appreciated IFAD's support. While they had some contact with the ICO, most of their interaction was with the relevant project office, beneficiaries and other actors in the marketplace. Similar findings stem from past country programme evaluations. This is consistent with the responses of ICO staff to the e-survey that indicated that they met with private sector representatives less frequently than

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<sup>83</sup> A good partnership has developed between IFAD and ADB and was initiated by the former outposted Laos CPM with ADB agriculture staff based in Laos. The CPM participated in joint review missions for an ongoing cofinanced project and was actively involved in the design of a new project and the related policy dialogue. ADB appreciated the fact that the CPM was able to mobilize an IFAD livestock expert, an area in which ADB did not have expertise. ADB also appreciated IFAD's technical expertise (e.g. integrated pest control, its approach to rural finance) and its long, successful history of working with beneficiary organizations. Key points related to the partnership include: (i) it was driven by committed individuals on both sides; and (ii) the two organizations have complementary strengths. However, sometimes procedures at headquarters work against such partnerships (e.g. delays in project approval).

<sup>84</sup> The percentage of e-survey respondents assigning a satisfactory or highly satisfactory rating ranged between 63 and 74 per cent, depending on the criteria.

<sup>85</sup> Similarly, the 2016 report on the Farmers' Forum, a mechanism to facilitate dialogue on rural development and poverty reduction between apex farmer and rural producer organizations, IFAD and governments, suggested that there was not a strong relationship between the presence/absence of an ICO and the strength of the partnership.

<sup>86</sup> IFAD (2015). *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains*.

<sup>87</sup> IFAD staff (national and international) are generally more comfortable interfacing with the public sector. Agencies such as the International Finance Corporation, EBRD, USAID and the Gates Foundation have more explicit focus on the private sector.

government officials, staff of project offices, representatives of the local donor community and civil society organizations and beneficiaries.

165. In sum, given the mixed evidence, the contribution of ICOs to strengthening IFAD's partnerships with non-government stakeholders is rated as moderately satisfactory.
166. Overall, the contribution of ICOs to strengthening IFAD's partnerships with in-country partners is rated as moderately satisfactory. This takes into account strong contributions to improvement in strengthening partnerships with governments, more mixed findings on partnership with the local donor community and non-government actors, and limited programmatic cooperation with Rome-based agencies.

### **A.2.c Contributions to strengthening country-level policy dialogue**

167. At the corporate level, IFAD recognizes the importance of an enabling policy environment to support and accelerate agriculture and rural development. IFAD selectively engages in policy dialogue aimed at reducing rural poverty and empowering beneficiary organizations to gain policy influence. IFAD's policy dialogue initiatives involve governments, rural producer organizations and other donors and partners. Effectively undertaking policy dialogue requires having a well thought out plan that sets priorities by identifying the areas in which IFAD will engage to promote policy reform, the objectives to be achieved, and a plan of action that is adequately resourced.
168. In the past, IOE and the Brookings Institute have highlighted weaknesses in IFAD's country-level policy work resulting from: (i) over-ambitious policy agendas set out in COSOPs that are not followed through; (ii) IFAD's narrow focus on projects, at the expense of knowledge management and policy engagement; (iii) a lack of capacity in terms of in-country presence and in-house skills; and (iv) a lack of instruments and tools to support country-level policy dialogue.
169. **Although there are some positive examples of country-level policy dialogue that involve ICOs, this was not a systematic finding across ICOs.** Two general findings stood out from interviews, case studies and workshops. On the one hand, ICOs, particularly CPM-led ones, had opportunities to: (i) establish long-term engagement (building relationships, trust and understanding of local priorities, constraints) with national policy makers; (ii) base suggestions for policy reform on good practices documented in knowledge products and grounded in project experience; and (iii) participate in sector working groups and engage with all relevant actors. Some examples emerged, including Viet Nam (box 2).

Box 2

**A combination of non-lending products contribute to policy dialogue in Viet Nam**

The Viet Nam COSOP for 2012-17 was designed to support the National Targeted Programme on New Rural Development (NTP-NRD), bringing under one umbrella all programmes implemented in the rural space and with a strong poverty reduction thrust. Because of IFAD's good track record of successful projects, its knowledge and expertise and the good relationships established with the Hanoi ICO, the Government invited IFAD to partner with the World Bank to evaluate phase 1 of the NTP-NRD and make recommendations for phase 2. Because of World Bank staff turnover, IFAD was the lead agency in this initiative. The Hanoi ICO mobilized funding for the consultants to support this work from the Innovation Mainstreaming Initiative funding for policy work managed by PTA (US\$60,000). The grant approval process was straightforward, involving a simple memo approved by the APR and PTA Directors.

In June 2016, the resulting report was transmitted to the Deputy Prime Minister, the Ministers of Agriculture and Rural Development and Planning and Investment and Vice Ministers of Agriculture and Rural Development and Finance. It included background notes on governance, planning and fiscal decentralization, strategic and design considerations for the second phase of the NTP-NRD 2016-2020, and learning from global experience.

The Ministry of Agriculture and Rural Development confirmed that the Government appreciated the work of IFAD and the World Bank. It viewed the analysis, lessons and recommendations as sound. The results of this work are being incorporated into the soon-to-be-completed new five-year plan covering the period to 2020, effectively scaling up IFAD's experience to the national level.

Source: Viet Nam ICO case study.

170. On the other hand, because of the small size and competing priorities of ICOs, relatively little ICO staff time was allocated to policy dialogue (e.g. Bolivia, Ecuador, Kenya, Peru, Philippines). The ICOs reported that, on average, CPMs, other international staff and CPOs only spend 4 to 5 per cent of their time on policy dialogue and providing policy inputs to governments.
171. The analysis of 36 CPE ratings provides no evidence that the presence of an ICO improved IFAD's policy dialogue performance. Differences were not statistically significant for countries with and without ICOs (see table 10, annex IV). These findings may partly reflect the fact that many of the evaluations cover COSOPs and projects that were designed, approved and implemented before IFAD began to place increasing priority on policy dialogue. This CLE also analysed the quality of the coverage of policy dialogue in COSOPS using the data assembled for Management's comprehensive 2016 review of IFAD's country-level policy engagement.<sup>88</sup> It found there was no difference in the quality of the coverage of policy dialogue in COSOPs and project design documents in countries with and without ICOs (table 16, annex IV).
172. Good coverage of policy dialogue issues in COSOPs and project design documents appears to be largely determined by the interests, experience and initiatives of CPMs and how ICO staff allocate a scarce commodity, their time, among the many competing priorities. The fact that some regions are more involved in policy dialogue than others indicates that the leadership provided by regional directors is also an important factor. Some of the ICO case studies (e.g. Democratic Republic of Congo, Tanzania) found that a turnover of the CPM and long delays in filling the vacancy had an adverse impact on policy dialogue. In other cases (e.g. Viet Nam) the arrival of a new CPM energized IFAD's policy dialogue. Many CPMs were recruited for their programmatic skills and are not necessarily experienced in policy dialogue. Experience in policy dialogue is not a required skill set when IFAD recruits new CPMs, and training programmes are not yet in place to help existing CPMs develop the required skills.

<sup>88</sup> IFAD (2016). Country-level policy engagement in IFAD A review of experience. The data in this report was a scoring of whether or not policy dialogue was mentioned in the COSOPs and project documents. No determination was made on the quality of the planned policy dialogue or, in fact, if it actually took place.



173. In sum, the formal and informal corporate incentives do not encourage ICOs to undertake policy dialogue. In practice, individual performance assessments are more heavily driven by project approval, successful implementation and ensuring sound fiduciary matters than by non-lending activities, including policy dialogue. That is probably one reason why over-stretched CPMs and CPOs allocate relatively little of their time to policy dialogue. ICO contribution to country level policy dialogue is rated as moderately unsatisfactory.
174. IFAD's rural-sector performance (RSP) analysis is a tool that has the potential to institutionalize country-level policy dialogue and enhance the role of ICOs in that process. Each year IFAD assesses the policy and institutional environment for reducing rural poverty for every country of operation and summarizes the findings in the RSP score, which is included as a policy variable in the Performance-based Allocation System (PBAS) formula.<sup>89</sup> The RSP is unique to IFAD in the international community as a knowledge product.<sup>90</sup> If IFAD were to adopt a more rigorous ICO-led approach to the RSP scoring process that involved systematic consultation with local stakeholders, it could serve as a useful tool to identify the policy areas where IFAD should engage.
175. **In synthesis**, the contribution of decentralization and ICOs to improving performance of non-lending activities is rated as moderately unsatisfactory. This rating takes into account the assessments of the contribution to knowledge management (moderately unsatisfactory), partnerships (moderately satisfactory) and policy dialogue (moderately unsatisfactory) and the fact that limited resources were made available to these activities.
176. **On balance**, the contribution of decentralization and ICOs to overall operational performance is rated as moderately satisfactory, based on a satisfactory rating of contributions to programme management and a moderately unsatisfactory rating of contributions to non-lending activities. The 2011 Country Presence Policy and Strategy stated that at least half of the time of ICO staff was to be devoted to project implementation support and supervision. ICO staff responded to that priority in the policy paper by allocating most of their time to programmatic matters and considerably less to non-lending activities.

## **B. Contribution to achieving better development results**

### **B.1 Rural poverty impact**

177. The Agreement Establishing IFAD makes it clear that reducing rural poverty is IFAD's overarching objective.<sup>91</sup> The analysis presented in this section proceeds from the premise that most of the development results supported by IFAD are delivered through projects. It is important to appreciate that decentralization (notably country presence) has an indirect influence over development results, mostly through operational performance (e.g. better strategy and design, higher quality implementation support, interactions with national stakeholders).
178. **There is some evidence that ICOs are helping improve IFAD's efforts to reduce rural poverty**. Figure 4 illustrates some of the findings from the analysis of IOE project-level ratings extracted from the ARRI database. The same methodological caveats illustrated in Section A.1.c apply here. Ratings for household incomes and assets and for food security and agriculture productivity were both in the moderately satisfactory range for countries with and without ICOs but higher\* in countries with ICOs. Differences in average rating for other

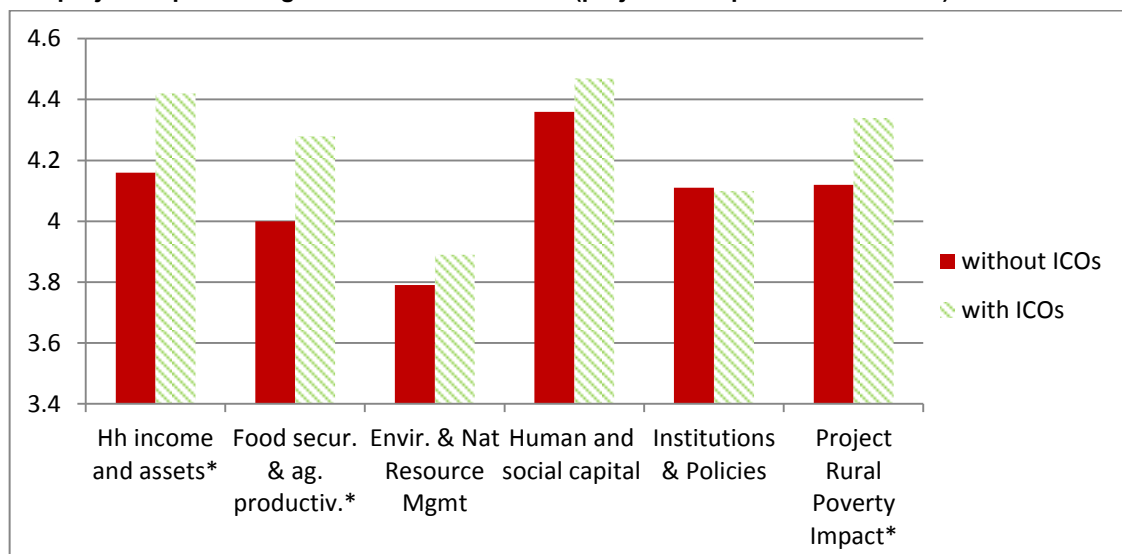
<sup>89</sup> The RSP score has a weight of 0.45 in the PBAS.

<sup>90</sup> The 2016 CLE on the PBAS identified some weaknesses in RSP scores and processes: (i) the underlying processes used to determine RSP scoring were not systematic; (ii) the quality assurance of scores varied from division to division; and (iii) the amount of stakeholder input varied significantly across countries. The Technical Working Group for the Fine Tuning of the PBAS is examining ways to strengthening the RSP scoring process and the role that the RSP plays as an instrument to enhancing country-level policy dialogue.

<sup>91</sup> See Article 2 and Section 1 (d) of Article 7 of the Agreement.

individual impact domains<sup>92</sup> were not significant. Overall project ratings on impact on rural poverty were, again, in the moderately satisfactory zone and higher for countries with ICOs.\* More detailed analysis is available in table 2, annex IV.

Figure 4  
IOE project impact ratings with and without ICOs (projects completed 2007 – 2015)



Source: CLE analysis of ARRI database (2016).

179. Similar evidence was gathered through self-assessment by PMD. The 445 PSR ratings of the active portfolio projects showed higher poverty focus,\*\* food security\*\*\* and effectiveness of the targeting approach\*\* ratings for projects in countries with ICOs than for countries without ICOs, although there was no difference for physical and financial assets. However, all of those ratings were in the moderately satisfactory range (tables 17-18, annex IV).
180. In sum, ICO contributions to improving the poverty reduction outcomes of IFAD-funded operations can be assessed as satisfactory. Given that it takes an average of eight years to implement IFAD projects, and ICOs have been involved in the full project cycle for only a small number of projects, the above results may understate the full impact of ICOs' contribution to strengthening the poverty reduction outcomes of IFAD's operations.

## B.2 Gender equality and women's empowerment

181. IFAD promotes gender equality and empowering rural poor women as set out in IFAD's 2012 Policy on Gender Equality and Women's Empowerment.
182. **While the country presence policy papers did not identify addressing gender issues as a specific priority for ICOs, evidence suggests that ICOs helped deliver better gender results at the country level.** Before examining the results, it is worth identifying the mechanisms through which ICOs may have facilitated certain outcomes, in addition to implementation support. Some ICO staff and some staff in project offices are self-nominated members of the gender thematic group.<sup>93</sup> Technology has been used to strengthen communications and outreach for global gender events and training. Two divisions have full-time regional gender and youth coordinators in ICOs (WCA in Senegal ICO and ESA in Nairobi, see box 3).
183. Also, the presence of the country office facilitated the organization of in-country gender events – CPMs led 16 of the 25 ICOs in the countries that hosted gender

<sup>92</sup> Such as impact on assets and human capital, impact on natural resources and environment and climate change, impact on institutions and policies.

<sup>93</sup> About 55 per cent of IFAD-funded projects have a gender focal point.

events. These are not examples of development results but of initiatives supported through country offices to help sensitize government staff, project managers and front-line field facilitators on gender equality and women's empowerment and on IFAD's goals and experience in this domain. During interviews, many project managers and government staff stated that it was through this sensitization that they and their colleagues had a far better understanding of IFAD's goals and of the broader importance of gender equality for rural development. These details illustrate how country presence can, indirectly, further IFAD's agenda. However, government and project and IFAD staff agreed that more can and should be done to use the improved IT/communications facilities to promote online training and self-learning and to brief staff in project offices on the gender aspects of project design. That may require mobilising additional funding.

Box 3

**Summary of the activities of the WCA gender and youth coordinator**

The WCA regional gender and youth coordinator, based in the Senegal ICO, also covers Benin, Cape Verde and Gambia. The WCA gender coordinator provides three levels of support: (i) at the regional level as part of the WCA team she: (a) provides support from a gender perspective in programmatic areas by reviewing project designs and contributing to supervision, portfolio and midterm project reviews; (b) provides technical support on gender-related issues in response to requests from CPMs; and (c) travels in two or three countries a year to provide support to ongoing projects; (ii) at the divisional level she works with PTA on value chains, farmers' organizations, women, youth and small businesses, including organizing events and preparing and disseminating knowledge products (e.g. the Kinshasa forum in 2014 on targeting and youth; publication on women's empowerment in West and Central Africa); and (iii) at the country level she provides technical support on socio-economic aspects in the countries covered by the ICO. To comply with the human resources policies of the United Nations system, as national officers gender coordinators can work outside their home country for a maximum of six months a year.

Source: Interviews and document reviews.

184. Project ratings for gender equality and women's empowerment were well above the moderately satisfactory threshold for countries without an ICO (4.20) but significantly higher\*\* (4.53) for countries with an ICO established for at least two years before project completion (figure 5; see also table 2, annex IV).<sup>94</sup> Thus, ratings had moved from the moderately satisfactory zone to just above the threshold of the satisfactory one. Similar evidence (significant differences) came from PMD's PSR ratings.
185. **In synthesis**, the contribution of ICOs to helping IFAD to deliver better development results in the area of gender is rated as satisfactory, given the consistent positive findings from the quantitative analysis.

**B.3 Environmental and natural resources management and climate change**

186. It is widely acknowledged that the rural poor are among the most vulnerable in the world in terms of the accelerating environmental degradation and climate change. The goal of IFAD's 2012 environment and natural resources management policy is to enable poor rural people to escape from, and remain out of, poverty through more productive and resilient livelihoods and ecosystems. To support its environment and natural resources management operations, IFAD succeeded in mobilizing considerable grant resources from the Global Environment Facility and the Adaptation Fund. There are examples of IFAD projects that target sustainable environment and natural resources management and climate change.<sup>95</sup> The issue analysed in this section is whether ICOs played a discernible role in contributing to

<sup>94</sup> The former was in the satisfactory range and the latter was in the moderately satisfactory range.

<sup>95</sup> Responsibilities of PMD's Environment and Climate Division (ECD) include supporting project design and implementation, designing and implementing grant and supplementary-funded initiatives, mobilizing resources and managing dedicated financial resources, training and capacity building, knowledge management and partnerships, and corporate responsibilities.

IFAD's improved performance in delivering better environment and natural resources management results.

187. The analysis of project evaluation ratings found that they were below the moderately satisfactory threshold for countries with and without ICOs and that in the "with ICO" case the average was higher but the difference was not statistically significant (figure 4; see also table 2, annex IV). The 2015 self-assessment ratings by PMD show similar findings. In fact, attention to natural resources management and quality of natural asset improvement and climate resilience had almost identical averages, and the difference was not significant. During interactions with IFAD staff and partners in the field, few examples emerged of specific instruments available to country offices, other than project identification and design and some ad hoc seminars, to sensitize national and international partners in this area.<sup>96</sup>
188. In sum, the contribution of country presence to environmental and natural resources management and climate change is rated as moderately unsatisfactory. Given that the decision has been made to appoint four national officers with regional responsibilities over environment and climate change, decentralization performance in this area may improve in the future.

#### **B.4 Innovation, replication and scaling up**

189. IFAD's 2015 Operational Framework for Scaling Up defines scaling up as "expanding, adapting and supporting successful policies, programmes and knowledge, so that they can leverage resources and partners to deliver larger results for a greater number of rural poor in a sustainable way". The Report of the Consultation on IFAD10 stated that IFAD would "Give explicit and consistent attention in all its operations to innovation, learning and scaling up." IFAD has been developing a corporate approach to scaling up since 2009, with support from the Brookings Institution. While Brookings' 2010<sup>97</sup> and 2013<sup>98</sup> reports documented some improvements, they also confirmed many of the weaknesses found in the 2010 CLE on innovation and scaling up.
190. **There is some evidence that the presence of ICOs is associated with better results on innovation, replication and scaling up.** Feedback from the regional workshops was that ICOs helped IFAD to more easily identify opportunities for scaling-up and programme approaches beyond the project. Project evaluation ratings for innovation and scaling up were above the moderately satisfactory threshold in countries with and without ICOs but significantly higher\*\* in countries with ICOs.
191. **Considering the foregoing**, the contribution of ICOs to innovation and scaling up is rated as moderately satisfactory.

#### **B.5 Sustainability of benefits**

192. The 2015 ARRI found that sustainability is a challenge for many projects.<sup>99</sup> It is also a challenge to develop a sound methodology to assess the contributions of ICOs to sustainability. This is because: (i) many factors influence sustainability other than the role of ICOs; and (ii) several years must pass after a project is completed before a definitive judgement can be made about sustainability.
193. **The 2015 ARRI identified four key drivers of sustainability. ICOs make positive contributions to some of these.** The first driver was integrating project objectives into national development strategies. This CLE's findings indicate that

<sup>96</sup> Training is provided to IFAD staff and project staff in the field in the start-up workshop of projects that have Adaptation for Smallholder Agriculture Programme, Global Environment Facility, or other green financing initiatives.

<sup>97</sup> Global Economy and Development at Brookings. Scaling up the fight against rural poverty: An institutional review of IFAD's approach. Working Paper 43. 2010.

<sup>98</sup> Global Economy and Development at Brookings. Scaling up programs for the rural poor (phase 2). Working Paper 54. January 2013.

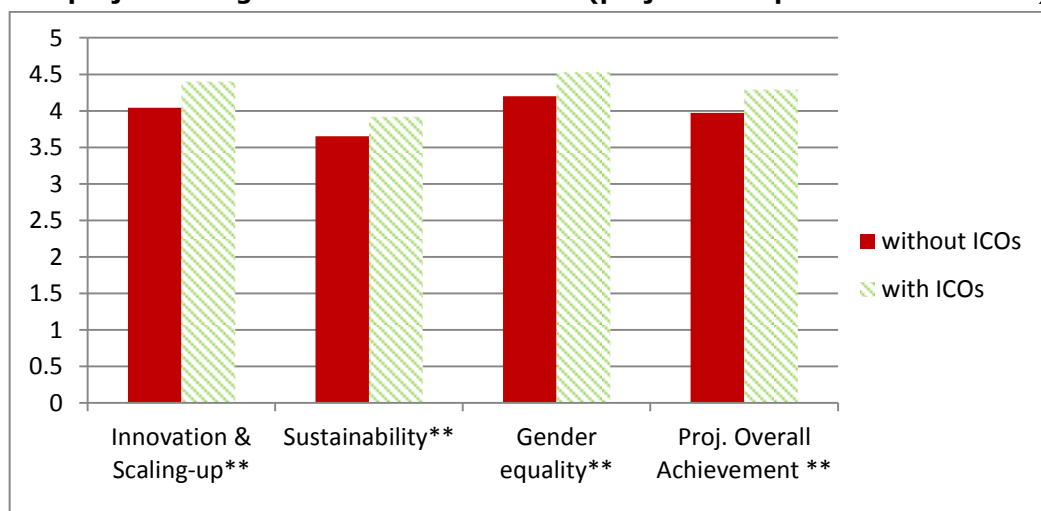
<sup>99</sup> Sustainability was also an issue for many agriculture projects financed by ADB and the World Bank. There was some evidence to suggest that IFAD projects performed better in this area than those of the other two MDBs.

ICOs made a major contribution to aligning IFAD’s assistance with national priorities. The second driver was investing in activities that enhance communities’ human and social capital through inclusive development. This is supported by ratings from PSRs although not from independent evaluations.

194. Setting clear and realistic strategies for gender mainstreaming was the third driver of sustainability. ICOs made clear contributions in the area of gender. Compared to countries without ICOs, gender-related ratings were significantly higher in countries with ICOs for projects, and project status reports.\*\*\* The fourth driver of sustainability was promoting community-level ownership and responsibility. Again, this is supported by findings from project status reports. This is consistent with the views of e-survey respondents, who rated the performance of ICOs in supporting sustainability and scaling up in the satisfactory range (table 8, annex V).
195. The quantitative analysis of project ratings suggests that ICOs are associated with better sustainability performance. Average sustainability ratings were below the “moderately satisfactory” thresholds for projects in countries with and without ICOs. However, sustainability ratings were significantly higher\*\* in countries with ICOs and close to a rating of 4. (Figure 5; see also table 2, annex IV).
196. In sum, the contribution of ICOs to improving the sustainability of the benefits associated with IFAD’s projects is rated moderately satisfactory, given that ICOs in some way contribute to drivers of sustainability identified in the 2015 ARRI and considering that ratings in countries with ICOs are slightly higher.
197. Figure 5 also shows that ratings for project overall *achievements* were higher for projects in countries with an ICO, and this meant shifting from an average of 3.97, just below the “moderately satisfactory”, to an average of 4.29, suggesting better delivery of development results.

Figure 5

**IOE project ratings with and without ICOs (projects completed 2007 – 2015)**



Source: CLE analysis of ARRI database (2016).

198. **On balance**, the contribution of decentralization and ICOs to helping IFAD achieve better development results is rated moderately satisfactory, reflecting satisfactory contributions in the areas of rural poverty and gender; moderately satisfactory for innovation, replication and scaling up and sustainability; but moderately unsatisfactory for environment and natural resources management and climate change. These findings are broadly in the positive zone and encouraging. Overall, there is support for the assumption that decentralization would lead not only to better internal and project performance but also to better development results for IFAD’s ultimate clients.

## C. Overall findings about the effectiveness of ICOs

### C.1 Overall effectiveness of ICOs

199. **The effectiveness of IFAD's decentralization and establishing country presence is rated as moderately satisfactory.** This takes into account the rating of moderately satisfactory for development results and moderately satisfactory for operational performance. While decentralization processes operate indirectly towards the achievement of development results, this CLE validates the causality chain assumed in the implicit theory of change for decentralization, with some qualifications for the non-lending activities, which have received lower attention, resources and consequently staff time.

### C.2 Effectiveness of different ICO models<sup>100</sup>

200. **The evaluation did not find consistent evidence that ICOs led by an international staff (CPM) were more effective than those led by a national staff (CPO).** Although there were a few instances when CPM-led ICOs delivered better results than CPO-led ICOs, for the large majority of indicators there was no difference in the relative effectiveness of the two ICO models. In terms of self-assessment evidence, the quantitative analysis of the most recent PSR ratings did not show that CPM-led ICOs outperformed CPO-led ICOs for any of the ten criteria<sup>101</sup> that measure IFAD's contributions to development effectiveness. However, some of the indicators of implementation pace show that CPM-led ICOs were performing better: smaller time lapses between project approval and entry into force and from approval to first disbursement.
201. The small number of CPM-led ICOs that were in operation for a significant number of years did not permit a valid statistical comparison between the differences in performance of CPM- vs. CPO-led ICOs based on an analysis of IOE's project and CPE ratings. A longer period of time must pass before IOE ratings can be used to assess the relative effectiveness of CPM- and CPO-led ICOs in delivering results.
202. The feedback given to the evaluation team during many interviews by IFAD staff, both in headquarters and in ICOs, was that CPM-led ICOs delivered superior results compared to CPO-led ICOs. Factors cited included the greater experience and international exposure of CPMs, the CPMs' greater familiarity with IFAD's policies and procedures, the greater local knowledge and stronger partnerships built by outposted CPMs, and the greater capacity of CPMs to undertake non-lending activities. However, looking at the e-survey responses of IFAD's clients, there was no statistically significant difference in the overall appreciation rating of the two ICO models. Of the 15 more specific dimensions of ICO performance, CPM-led ICOs were rated better for only two: (i) aligning IFAD's assistance with country priorities\*; and (ii) mobilizing financing from other organizations.\*\*
203. **A number of factors may have contributed to the above findings.** First, the evaluation found a continuum of realities in terms of the roles and functions of ICOs rather than a strict application of the ICO models defined in the country presence policy papers. CPMs often have responsibilities for neighbouring countries with CPOs. For some ICOs there was a turnover of CPMs and long vacancies before the next CPM arrived. Interactions with government and project representatives from countries with fragile situations (e.g. Democratic Republic of Congo, Sudan) suggest that the problem of CPM turnover was a special problem as it added to the volatility of the situation and created further discontinuity to programme management and partnerships with national actors. In the absence of CPMs, CPOs effectively led the ICOs. The three- to five-year CPM rotation cycle is less than the average time that it takes to implement IFAD projects or the life of a COSOP.

<sup>100</sup> The analysis of the e-survey and quantitative analysis could not assess the effectiveness of hubs, mainly because of the relatively short time period that some of the ICOs have officially acted as hubs.

<sup>101</sup> Gender focus; poverty focus; effectiveness of the targeting approach; climate and environment focus; institution building; empowerment; quality of beneficiary participation; responsiveness of service providers.

Moreover, not all CPM-led ICOs were the same. For example some CPM-led ICOs have a CPO and others do not.

204. Second, CPOs work in their home country and, for this reason, relative to newly assigned CPMs, experienced senior CPOs may better know the past and present history and lessons of projects, the common issues with the government and the country situation. This would be particularly true if relatively inexperienced staff were outposted as CPMs, which sometimes happened during the initial implementation of the country presence policy, or if they were newly recruited at IFAD and did not have detailed knowledge of IFAD's policies and procedures.
205. This CLE recognizes that outposted CPMs have responsibilities that cannot be assumed by national staff. No comparator organization has given all CPM-type responsibilities to national staff, and internationals often have a higher formal level of entry to government and the international community than national staff.
206. Since the CPOs led many ICOs for most of the period under review, a corollary of the above findings is that **CPOs can and do play an important role in helping IFAD to deliver better operational performance and development results.**<sup>102</sup> In any case, budget constraints are likely to limit the number of additional CPM positions created. The forgoing is not a complete analysis of the relative performance of the CPM- and CPO-led ICOs models as it only draws on the evaluation evidence related to effectiveness. More evidence on the various hub models is presented in the Efficiency chapter, including both organizational and cost analysis. The last chapter of the report draws upon all of the evaluation findings to reach broad organizational conclusions on the various ICO models.

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<sup>102</sup> A case study in the Philippines offers material for reflection. According to the ADB staff interviewed, the CPO actively participated in: (i) joint project processing and recruiting well-qualified local consultants that benefited the project design; and (ii) joint review missions, and identifying and resolving problems. The CPO coordinated with other donors and represents IFAD effectively in coordination meetings convened by the National Economic and Development Agency. ADB staff viewed the Philippine ICO as being effective because of the CPO, who was known and respected both in government and non-government circles. He was an ex-senior government official who: (i) was well qualified; (ii) had a wide range of contacts in the government and good access to senior officials; (iii) had good civil society contacts; and (iv) could help ADB identify and resolve problems. Because of those characteristics ADB staff valued his input in processing and supervising IFAD/ADB-cofinanced projects. The CPO retired in 2016.

### **Key findings on the effectiveness of IFAD's decentralization**

- The evaluation evidence shows that ICOs help to:
  - ✓ Strengthen COSOPs and project design through greater country knowledge and a stronger focus on rural poverty, although not linkages with grants.
  - ✓ Facilitate supervision and strengthen project implementation support with improvements in some of the implementation pace indicators.
  - ✓ Deliver better results at the country level through more successful projects.
  - ✓ Deliver better results in addressing rural poverty and gender, innovation and scaling up, and sustainability.
- Results are mixed on ICO contributions to improving non-lending activities:
  - ✓ CPE ratings do not show that ICOs were associated with better policy dialogue or knowledge management performance.
  - ✓ There have been improvements in partnership, particularly those with governments and, with some nuances, with donors and MDBs and some of the non-governmental actors (but not necessarily private sector ones)
  - ✓ Examples of good non-lending performance were not systematic across ICOs and reflect more the interests and capabilities of CPMs/CPOs.
  - ✓ ICO staff have limited resources for and spend relatively little time on non-lending activities.
- There is inconsistent evidence that CPM-led ICOs systematically deliver better results than CPO- led ICOs. CPOs can and do play an important role in helping IFAD to deliver better development outcomes.



## Ratings by evaluation criteria and sub-criteria - Effectiveness

<i>Evaluation criteria</i>	<i>Evaluation sub-criteria</i>	<i>Rating</i>
Effectiveness	A. Achieving Improved Operational Performance	moderately satisfactory (4)
	A.1 Contributions to strategy, programme management and project performance	satisfactory (5)
	A.1.a Contributions to preparing country strategies, project identification and design	satisfactory (5)
	A.1.b Contributions to project supervision and implementation support	satisfactory (5)
	A.1.c Contributions to achieving better project performance	satisfactory (5)
	A.2 Contributions to non-lending activities	moderately unsatisfactory (3)
	A.2.a Contributions to knowledge management	moderately unsatisfactory (3)
	A.2.b Contributions to partnerships	moderately satisfactory (4)
	A.2.b.i Partnership with governments	highly satisfactory (6)
	A.2.b.ii Partnership with MDBs and bilateral aid agencies	moderately satisfactory (4)
	A.2.b.iii Partnership with United Nations and Rome-based agencies	moderately unsatisfactory (3)
	A.2.b.iv Partnership with non-government stakeholders	moderately satisfactory (4)
	A.2.c Contributions to policy dialogue	moderately unsatisfactory (3)
	B. Contribution to achieving better development results	moderately satisfactory (4)
	B.1 Rural poverty impact	satisfactory (5)
	B.2 Gender equality and women's empowerment	satisfactory (5)
	B.3 Environmental and natural resources management and climate change	moderately unsatisfactory (3)
	B.4 Innovation and scaling up	moderately satisfactory (4)
	B.5 Sustainability of benefits	moderately satisfactory (4)
	<u>Overall rating for Effectiveness</u>	<u>moderately satisfactory (4)</u>

## V. Efficiency of IFAD's decentralization

207. This chapter explores four key dimensions of institutional efficiency related to decentralization: (i) decentralization and management of costs at corporate level; (ii) institutional structure and organizational arrangements; (iii) human resources aspects; and (iv) administrative and technical support functions and decentralization of approval authority and responsibilities.

### A. Decentralization and management of costs

#### The context

208. IFAD initiated a three-year pilot for permanent field presence starting in 2004. In December 2003, the Executive Board had approved a budget of US\$3 million for a three-year Field Presence Pilot Programme (FPPP), involving 15 countries.<sup>103</sup> Even with a small resource envelope, the FPPP had a broad set of country presence objectives, as noted in the Relevance chapter ("strengthening and integrating four interrelated dimensions: project implementation, policy dialogue, partnership-building and knowledge management").
209. **Termination of the agreement with UNOPS.** IFAD introduced the Direct Supervision and Implementation Support policy in 2007 and terminated the supervision agreement with UNOPS. The total supervision and implementation support costs were US\$19.8 million, of which half was paid to cooperating institutions (UNOPS held the lion's share).<sup>104</sup> This led to an increase in IFAD's PMD budget and, together with the termination of the agreement with UNOPS, allowed it to accommodate costs for both direct supervision and country presence.
210. **Between 2008 and 2010, the PMD budget increased significantly and integrated the Programme Development Financing Facility.** In 2008, the budget of the Programme Development Financing Facility was increased by US\$3 million in real terms.<sup>105</sup> In the 2009 budget, the Programme Development Financing Facility was further increased by US\$2 million, and an unspecified part of the increase was attributed to strengthening of country presence, as IFAD planned to substantially increase the number of existing and planned ICOs in 2009, from 17 to 27.<sup>106</sup> A significant budget increase for country presence was approved for 2010. The Programme Development Financing Facility budget (US\$42 million in 2009) was integrated with the administrative budget in 2010, and the budget for country presence (excluding outposted staff) was increased by US\$2.8 million in real terms, reflecting the planned increase in ICOs from 27 to 30.<sup>107</sup>
211. **Then, between 2011 and 2015, the PMD budget remained almost flat in spite of increasing country presence costs.** In the 2011 budget document, five new country offices were planned for 2011, bringing the total number to 35.<sup>108</sup> The costs of ICOs were budgeted at US\$7.3 million, reflecting a real decrease of US\$500,000 from the 2010 budget of US\$7.7 million. The costs of outposted staff of US\$4.2 million were included for the first time in country presence costs, bringing the total costs to US\$11.5 million. The PMD budget increased by US\$7.6 million (US\$6.7 million in real terms), and this was attributed to an expansion of 43 per cent in the programme of work, as well as the budget

<sup>103</sup> Field Presence Pilot Programme, EB 2003/80/R.4, December 2003.

<sup>104</sup> IFAD estimated that the full implementation of the 2007 supervision and implementation support policy was to increase annual supervision and implementation support costs between 4 and 12 per cent (from US\$800,000 to US\$2.4 million). IFAD Policy for Direct Supervision and Implementation Support (2007).

<sup>105</sup> No specific reference was made to country presence costs: the increment was partly attributed to a 10 per cent increase in the programme of work. The Programme Development Financing Facility was a separate budget from IFAD's administrative budget until 2010, and financed new project/programme development and management of the ongoing project portfolio. EB 2007/92/R.2/Rev.1, December 2007.

<sup>106</sup> EB 2008/95/R.2/Rev.1, December 2008.

<sup>107</sup> EB 2009/98/R.2, November 2009.

<sup>108</sup> EB 2010/101/R.2/Rev.1, December 2010.

implication of more intensive project design, supervision and implementation support.

212. Budgets for outposted staff and ICO non-staff costs increased in 2012 and 2013, while costs of local staff were lower. In 2012, the budget<sup>109</sup> for country presence costs was US\$12.3 million, representing a real increase of US\$600,000 over the 2011 budget. The increase reflected higher costs of outposted staff and higher non-staff costs that were partly offset by lower costs of local staff.
213. Budget increases for country presence in 2014 and 2015 were driven by cost increases for outposted staff, local staff and non-staff costs. Total country presence costs in 2014 were budgeted at US\$13.4 million,<sup>110</sup> and the bulk of the increase over 2013 was accounted for by a real increase of US\$470,000 in local staff costs. The budgeted total country presence costs in 2015<sup>111</sup> were US\$14.2 million, which amounted to an increase of 6 per cent in real terms over 2014.
214. **In 2016, an increase of US\$2 million in country presence budgets was approved, as Management recognized that decentralization entailed additional costs.** This was the first time since 2011 that a major increment had been made to PMD's and IFAD's budget to finance higher country presence costs.<sup>112</sup> Management proposed a budget increment of US\$2 million to meet the costs of establishing at least five new ICOs and other increased ICO costs.<sup>113</sup> The budget for recurrent administrative costs of ICOs for 2016 (i.e. excluding the costs of outposted staff) was thus set at US\$10.3 million.<sup>114</sup> The March 2016 Executive Board Update paper also projected further increases of US\$500,000 in ICO costs each year in 2017 and 2018.<sup>115</sup>
215. **IFAD's ICO budgeted costs have increased from US\$11.5 million in 2011 to US\$16.2 million in 2016.** Over the five-year period, local staff costs have increased by 13 per cent (but most of the increase occurred between 2015 and 2016), non-staff costs by 55 per cent and outposted staff costs by 40 per cent (table 3). Thus an increase in the costs of outposted staff was combined with a more modest overall increase in national staff costs. Non-staff costs have risen significantly, reflecting the increase in outposted staff. The ICO costs increased significantly as a proportion of PMD and IFAD's administrative budget.
216. A comparison with MDBs such as the AfDB, ADB and the Inter-American Development Bank shows that, for 2015, their country office costs as a percentage of the total cost of operations units ranged from 32 to 42 per cent (compared with 22 per cent in 2016) and country office costs as percentage of total costs of the institution ranged from 18 to 24 per cent (compared with 10 per cent at IFAD).

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<sup>109</sup> EB 2011/104/R.2/Rev.1, December 2011.

<sup>110</sup> EB 2013/110/R.2, November 2013.

<sup>111</sup> EB 2014/113/R.2, November 2014.

<sup>112</sup> In 2015, PMD's budget increased by US\$500,000 (US\$300,000 in real terms); this increase was attributed in part to relocation costs associated with out-posting and increased ICO presence.

<sup>113</sup> US\$720,000 was for the increase in costs of national staff, US\$700,000 was for higher IFAD contributions to support UN country-level development coordination through the resident coordinator's office, and US\$400,000 was for increases in non-staff administrative costs.

<sup>114</sup> Source: EB Paper – Update on Country Presence, EB 2016/117/R.4, March 2016.

<sup>115</sup> The estimated annual incremental costs are net of projected reductions in headquarters staffing costs of US\$0.3 million each year in 2017 and 2018.

Table 3

**Country presence budgeted costs (US\$ million and percentage) – 2010-2016**

	2011	2012	2013	2014	2015	2016	Nominal increase (%) 2011-16
Local staff costs	4.0	3.6	3.2	3.7	3.8	4.5	13%
Non-staff costs <sup>a</sup>	3.3	3.5	3.9	4.1	4.5 2/	5.8	55% <sup>b</sup>
Out-posted staff costs	4.2	5.2	5.4	5.6	5.9	5.9	40%
Total ICO budgeted costs	11.5	12.3	12.5	13.4	14.2	16.2	41%
PMD admin. budget	79	81	73	74	74	73	-0.8%
IFAD admin. budget	141	144	144	150	152	157	11%
ICO budget/PMD budget %	15%	15%	17%	18%	19%	22%	46%
ICO budget/IFAD budget %	8%	9%	9%	9%	9%	10%	25%

<sup>a</sup> Excludes the United Nations Resident Coordinator Fee of US\$700,000, which was charged to IFAD for the first time in 2015. It was paid out of the budget carried over from 2014 to 2015.

<sup>b</sup> For proper comparability with earlier years, the percentage increase excludes the United Nations Resident Coordinator Fee of US\$700,000 charged to the budget in 2016, as this cost is externally determined by the United Nations.

Sources: Programme of work and budget documents for 2011-2015 and March 2016 Executive Board Update paper.

217. **The budget trends discussed above do not provide the necessary degree of insight into the cost implications of country presence.** In particular the budget data do not point to whether country presence has had favourable or adverse effects on cost efficiency. Therefore, three levels of data analysis were performed in this CLE: (i) 2003-2015 trends in aggregate efficiency at IFAD and PMD levels; (ii) comparison of the unit costs, per ongoing project, of ICOs vs. PMD headquarters divisions; and (iii) comparison of costs of different ICO models, including for countries without ICOs where project supervision is performed by PMD headquarters divisions. The findings from these three levels of analysis are discussed below, along with caveats relating to the findings.

#### **Implication of decentralization on IFAD's and PMD's overall efficiency**

218. Table 4 summarizes the following efficiency trends during 2003, the year before the FPPP was initiated, to the last completed fiscal year, 2015. Comparative data for 2008 is also shown in the table, as the FPPP was mainstreamed in that year. The five efficiency ratios listed in the table indicate the following trends:
- IFAD and PMD improved efficiency in terms of ratio of lending volume to annual administrative budget. The ratios reflect the increase in the average size of IFAD loans (from US\$18 million in 2003 to US\$26.8 million in 2015).
  - PMD's budget as a percentage of IFAD's total budget shows a decline since 2003. However, the following qualifications apply: (i) PMD's share fluctuated between 50 per cent and 57 per cent between 2003 and 2012, with an average of 54 per cent; (ii) the share fell to 50 per cent in 2012 as 20 PMD positions (9 per cent of PMD's headquarters staffing level) were transferred to CFS and SKM; and (iii) the ratio remained stable from 2013 to 2015. That being said, it is important for IFAD to ensure that the share of budget deployed to client-facing activities (i.e. PMD) remains stable in a constrained budget environment.
  - The PMD budget per active project has been increasing in nominal terms.
  - In contrast, the PMD budget per project approved has been declining slightly in nominal terms. The decline would be much more significant in real terms in the 12-year time frame, which may reflect lower levels of resources being deployed

for the design phase; however, conclusive evidence to analyse this issue is not available.

219. Overall, the ratios shown in table 4 indicate that decentralization has not had an adverse effect on cost efficiency at the IFAD and PMD levels. This was due to two primary reasons that are not directly connected with decentralization: (i) IFAD's and PMD's budget growth has sharply slowed since 2011, constraining possible growth in unit costs of projects approved and supervised; and (ii) the average size of projects has increased, as mentioned earlier, leading to slower growth of the PMD budget compared to lending volume. During interviews, some PMD staff indicated a decreasing trend in budget for project design. If this were correct, it may lead to deterioration in performance quality in the long term.

Table 4

**Trends in IFAD and PMD efficiency ratios – 2003, 2008 and 2015<sup>a</sup> (nominal terms)**

<i>Ratio/percentage</i>	<i>2003</i>	<i>2008</i>	<i>2015<sup>b</sup></i>	<i>Change 2003-2015</i>
Ratio of lending volume to IFAD administrative budget	6:1	5:1	8:1	33%
Percentage of PMD budget to IFAD lending volume	12%	11%	6%	-50%
PMD budget as a % of total IFAD administrative budget	55%	52%	49%	-11%
PMD budget per active project	US\$227,000	US\$283,000	US\$292,000	29%
PMD budget per project approved	US\$2.05 million	US\$2.22 million	US\$1.93 million	-6%

<sup>a</sup> 2003 – Year before FPPP was started; 2008 – Year in which FPPP was mainstreamed.

<sup>b</sup> The 2015 data reflect the following staffing changes in 2012: 13 PMD positions in loans and grants function, and the related budget, were transferred to CFS; and 7 PMD positions in the grants secretariat, and the related budget, were transferred to SKM.

Source: Executive Board budget documents, PMD data and IOE analysis.

### **Operational cost-efficiency of ICOs vs PMD headquarters**

220. **Actual costs of ICOs on budget execution and financial expenses are not easily available.** This is a serious gap in data availability which complicated the strategic management of decentralization costs. There are two reasons for this. First, IFAD lacks a cost accounting system that would enable the recording and reporting of costs at the ICO level; for reporting on budget execution, costs are reported only at the PMD Division level, combining headquarters and ICO costs. Second, statements of expenditure from host agencies that process local staff compensation and administrative transactions are often late, reportedly by up to six months in some cases. Such delays hindered the reporting of the actual costs of ICOs in the financial accounting system in a timely manner.<sup>116</sup>
221. Given the above constraints, an estimate of the average operational costs of different modalities of country presence was made by combining data on financial commitments for certain expenditure categories in 2015 (e.g. design and supervision) with budgets for 2016 (staff and non-staff cost budgets). In particular, the cost estimates for the "without ICO" case include design and supervision cost data and imputed headquarters CPM and GS staff costs (whether in the field or at the headquarters, a country programme requires a CPM and a programme

<sup>116</sup> At year-ends, CFS estimates actual expenses by calculating accruals (i.e. expenses incurred but not yet reported by host agencies) on the basis of ICOs' budgets. While it is likely that this methodology results in substantial accuracy of reported expenses, it is important to record actual expenses as they are incurred for budget and financial reporting. An alternative could be to set up each ICO or country as a cost centre and record commitments in each cost centre, which could be used for expense reporting.

assistant). In the “with ICO” case, the estimates include the above as well as ICO staff and non-staff cost data.

222. **Average design and supervision costs and operational costs per ongoing project are lower with ICOs.** This can be clearly seen from table 6 (average supervision costs are US\$56,370 against US\$94,078; average operational costs are US\$137,757 against US\$179,035). It may be inferred that the cost-efficiency gains are related, inter alia, to: (i) more use of national staff (vs. consultants); and (ii) lower international travel costs.
223. **While the CPM-led ICO is a relatively costly configuration, sub-regional hubs generate cost-efficiency gains.** Table 5 illustrates per-country average operational costs of different ICO modalities. They are higher for countries with a CPO-led office than for countries without an ICO. With a CPM-led office, average costs per country increase but decrease when sub-regional hubs are considered. This is because hubs are serving several countries (typically three or four) without having to replicate the country office structure in all of them.<sup>117</sup> In the case of per-project average operational costs (table 6), a slightly different pattern is observed. Moving from “without ICO” to CPO-led ICO, average costs per project decline. They increase in correspondence with the CPM-led modality and decline under the sub-regional hub modality.

Table 5

**Average per country operational costs of different country presence models (US\$)**

<i>Models of country presence</i>	<i>Staff costs (HQ and ICO)<sup>a</sup></i>	<i>Non-staff ICO costs<sup>b</sup></i>	<i>Design and supervision costs<sup>c</sup></i>	<i>Sum</i>
Overall without ICO	58 408	-	64 679	123 087
Overall with ICO	222 880	64 687	199 173	486 740
<i>CPO-led</i>	197 178	43 645	184 926	425 749
<i>CPM-led</i>	266 392	105 228	279 489	651 109
<i>Sub-regional hub</i>	163 978	40 200	152 012	356 190

Table 6

**Average per project operational costs of different country presence models (US\$)**

<i>Models of country presence</i>	<i>Staff costs (HQ and ICO)<sup>a</sup></i>	<i>Non-staff ICO costs<sup>b</sup></i>	<i>Design and supervision costs<sup>c</sup></i>	<i>Sum</i>
Overall Without ICO	84 957		94 078	179 035
Overall With ICO	63 079	18 308	56 370	137 757
<i>CPO-led</i>	52 033	11 518	48 800	112 351
<i>CPM-led</i>	74 777	29 538	68 647	172 962
<i>Sub-regional hub</i>	71 601	8 962	64 320	144 883

<sup>a</sup> Includes the average cost of ICO staff (for “the with ICO” case) per country/project served and staff at the headquarters (GS and CPM when headquarters-based) per country/project served.

<sup>b</sup> Includes average local non-staff costs per country/project served, differentiated by model of country presence.

<sup>c</sup> Average design and supervision costs, per country/project served, differentiated by model of country presence.

Sources of information: PMD and human resources data and IOE analysis; costs of with-ICO and without-ICO models are based on 2016 budgets, except for supervision and design costs, based on PMD expenditure commitment data for 2015.

<sup>117</sup> The case of the regional office in Nairobi is not reported in the table due its peculiarity (it is *de facto* a regional hub with additional staff from CFS) which makes it less clear how to impute costs to individual countries.

224. **When the headquarters costs of support to ICOs are included, the total costs of decentralization for IFAD are higher than those at the PMD-level reported in Executive Board budget documents.** This CLE estimates costs of country presence in 2016 for IFAD at US\$21.3 million. This includes estimated headquarters support costs of US\$5.1 million (table 7) and the US\$16.2 million of PMD costs reported in the 2016 budget document. This figure represents a tentative estimate of the total resources deployed by IFAD for decentralized operations. It is a conservative estimate as it does not take into account, for example, the staff costs of other non-CPM professional staff members at headquarters who support the country offices. It also does not factor in indirect costs for other service divisions.

Table 7

**Estimated costs of decentralization in 2016**

<i>Cost components</i>	<i>US\$ million</i>
Total ICO budgets	10.9
Total outposted staff budget	5.3
Total country presence costs – PMD	16.2
FSU budget	1.0
Imputed costs of PMD headquarters GS staff supporting ICOs <sup>a</sup>	4.1
Total country presence costs – IFAD <sup>b</sup>	21.3

<sup>a</sup> Based on estimated average salaries and benefits of 52 GS staff that support ICOs; data on the number of GS staff were provided by PMD, and salaries and benefits data were obtained from Human Resources. The underlying assumption is that these staff members are engaged full-time in supporting ICOs.

<sup>b</sup> Costs of other business units (e.g. CFS and Administrative Services Division [ADM]) that could be specifically attributed to country presence are not considered to be material, as most of the activities of these units would need to be performed even without the establishment of ICOs.

Source: PMD and Human Resources data.

### **Managing future costs**

225. **Incremental costs of ICOs – local staff and non-staff – are projected at around US\$250,000, which is one measure of the costs of expanding country presence.** The figure of US\$250,000 is derived from the projected budget increase of US\$1 million over 2017-2018 for establishing four new ICOs.<sup>118</sup> This estimate excludes outposted staff costs.
226. **The case for opening additional country offices, beyond the current operational ones, requires clear justification.** As of July 2016, the current 39 functioning ICOs covered 76 per cent of IFAD’s current active project portfolio. If ten additional country offices were added (according to the plans in the Executive Board 2016 April Update), then the country offices would cover 83 per cent of IFAD’s active portfolio, an increment of only 7 per cent. This is a minor increase, while incremental costs would be in the order of US\$2.5 million. Given the incremental costs, the issue of value-added from new offices vs. their costs is an important one.
227. **PMD staffing levels at headquarters have remained unchanged since 2008, when the FPPP was mainstreamed.** The total number of PMD staff has grown from 194 in 2008 to 305 (budgeted positions) in 2016, while the number of ICO staff, including outposted staff, has increased over the same period from 5 to 107 (about 16 per cent of total IFAD staff).<sup>119</sup> The increase in PMD total staff (and its

<sup>118</sup> March 2016 Update paper, paragraph 44: Total incremental costs of four new ICOs were projected at US\$1.59 million, which would be partly offset by savings of US\$0.6 million in headquarters staff costs. The average incremental cost for 2017-2018 is higher than the 2016 budget of US\$229,000 (US\$10.3 million for 45 offices) per ICO.

<sup>119</sup> According to the Executive Board 2016 Update: “Staffing in ICOs has increased significantly in recent years. The recruitment of national staff grew by 10 per cent from 2013 to 2015, bringing the number from 63 to 70. As part of the

headquarters staff) would have been higher without the transfer of 20 staff to other units in 2012. Thus PMD's headquarters staffing level has remained virtually unchanged while IFAD has added staff in ICOs.<sup>120</sup> The only way to reap significant cost-efficiency gains from decentralization would be to reduce headquarters staff, something which IFAD has been reluctant to do.

228. **The sub-regional hub modality has the potential to increase cost efficiency under certain conditions.** In the 2016 Executive Board Update paper it was stated that the advantage of the hubs was that they enabled a more optimal sharing of responsibilities and tasks among CPMs and other technical staff. However, the paper also noted the example of the Guatemala hub: "LAC created the hub in order to provide a higher level of attention to countries in the region while avoiding the creation of offices in countries with few projects and limited administrative budgets." The sub-regional hub model offers the potential to increase the cost-efficiency of ICOs. However, this requires supplementary measures such as not creating new ICOs or closing some of the ICOs covered by a hub, and reducing headquarters staff. A modelling exercise to explore these opportunities is presented later in this chapter and in annex VII.
229. **In summary**, while opening country offices implied additional costs, this has not led to uncontrolled PMD and IFAD administrative budget growth. Before 2011, this was possible thanks to: (i) the termination of the agreement with UNOPS, which allowed PMD to use the related budget for incremental costs of direct supervision and country presence; and (ii) PMD budget increases from 2008 to 2010. PMD managed to expand country presence from 2011 to 2015 within its largely flat budgets. It is possible that the level of resources dedicated to project design has decreased, although there is no conclusive evidence. On the other hand, PMD staffing levels at headquarters have not been reduced as decentralization has proceeded.
230. Looking at average per-project operational costs, those in the "with ICO" case are lower than those in the "without ICO" case (indicating possible efficiency gains of country presence). Between alternative ICO configurations, average operational costs per country and per project are highest for the CPM-led model but sub-regional hubs show some economies of scale (tables 5 and 6).
231. Overall, PMD's budget has been able to absorb a considerable cost increase. Data are not available at the desired disaggregated level and consistently over the years, but the findings of the previous chapters suggest that the current resource envelope has allowed PMD to ensure programme management, project design, supervision and implementation support but not a commensurate enhancement in non-lending activities. Taking into account these findings, the rating on management of the costs of decentralization at the corporate level is moderately satisfactory.

## **B. Institutional structure and organizational arrangements**

### **B.1 Current organizational arrangements for decentralized offices and regional divisions**

232. **There is currently a gradation of organizational arrangements at the country level** (see tables 32-26, annex IV for a summary of regional workshop discussions on different modalities). The main modalities are:

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2016 strategic workforce exercise, another increase is envisioned, raising the total number of international and nationally recruited field staff to nearly 100. This means that country office staff will constitute 35 per cent of all PMD staff." As a comparison, in regional MDBs outposted staff was typically 23 to 38 per cent, with an average office size of 18-22 staff members.

<sup>120</sup> This trend was also noted in the 2013 CLE of IFAD's efficiency: "...it appears that the number of country offices and costs are rising without offsetting reductions in Rome. Such higher costs reduce efficiency unless proportionately higher benefits are achieved."



- *No country presence, where all matters are handled directly from headquarters.* There may also be a consultant on a retainer contract (referred to as focal point) who follows up matters on behalf of the regional division, reporting to the CPM.<sup>121</sup> Strategy, programme and operational matters are all handled from headquarters by a CPM assisted by a programme assistant. In most cases the HQ based CPM and PA are handling several countries of the Region.
- *An office headed by a national professional officer* who normally has the title of CPO, sometimes with one or more associate CPOs and with one country programme assistant, with the reporting line to the CPM who may be in headquarters or in another ICO.
- *An office headed by an international CPM,* normally with the title of Country Director and generally with one CPO and one or more country programme assistants, of whom one may be specific to programme and the other to administration.<sup>122</sup> The reporting line of the CPM (Country Director) remains to the Regional Division Director.<sup>123</sup> Many CPM-headed offices often cover more than one country. Many CPM-headed ICOs have a number of consultants and short-term national staff working in them on a more or less continual basis. These are employed under the project supervision and design budgets.<sup>124</sup>
- *Hubs serving sub-regions:* in the LAC and Asia and Pacific regions (Guatemala, Peru, Viet Nam) there may be more than one CPM in a hub office, in which case one CPM is normally more junior and the lead CPM is the Country Director (or Sub-regional Coordinator). The Nairobi Regional Office is a special case but serves as a hub. Its origins are in the UNOPS office in Nairobi that served supervision of IFAD-funded projects in Africa (see box 4).

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<sup>121</sup> This arrangement has been common in the NEN Division and is also used to varying degrees by other regional divisions for countries in which they do not have offices.

<sup>122</sup> The office may also include other staff and consultants on temporary contracts and can include Junior/Associate Professional Officers paid for by donor governments through trust funds (additional temporary staff are sometimes found in offices headed by CPOs, but to a lesser extent).

<sup>123</sup> The majority of CPM/Country Directors (14 out of 22) have responsibility for one or more neighbouring countries (with or without ICO). Some CPM/Country Directors in large countries, or if they are more junior (P4), serve a single country.

<sup>124</sup> The supervision and design budgets are annual variable cost allocations managed by the regional divisions for travel, consultants, etc. They do not include regular staff or the administrative budgets for ICOs, although savings on vacant posts are fungible and accrue to this allocation (allotment).

**The Nairobi Regional Office**

*Background:* Until 2007 there was a UNOPS office in Nairobi for the supervision of IFAD projects in Africa. When UNOPS supervision was terminated and IFAD took up the responsibility, some UNOPS national staff were transferred to IFAD. The former CFS outposted financial management staff for East and Southern Africa and staff working on processing of withdrawal applications for both East and Southern Africa and West and Central Africa to Nairobi. A technical adviser on land tenure moved to Nairobi and had responsibilities for programme support in East and Southern Africa but moved back to Rome after two years. A Regional Environment Specialist was based in Nairobi for a few years. A regional gender and youth technical advisor was appointed as a national professional, and a national post has also been advertised for an environment and climate change advisor. Previously, an outposted FSU staff member supported fiduciary management improvement for the region.

*Programme support:* Kenya is an airline hub with daily flights to East African countries and good telecommunications. There is adequate office space. Overall management of the office was assigned to an outposted CPM (Country Director), with varying responsibilities for other countries and currently covers Madagascar, Mauritius and Seychelles in addition to Kenya (some country programme work has been retained in Rome for the Indian Ocean islands). Although the office is referred to as a regional office, it is in reality a hub-office for the purposes of programme support. Nairobi has also provided a good focal point for training events and meetings for East and Southern Africa. Kenya benefits from an educated workforce and provides a good location for regional advisors.

Source: CLE Kenya case study (2016).

233. **The PMD regional divisions have also grouped ICO and headquarters staff for purposes of mutual support and knowledge management.** The groups are more fluid than the ICO structure and are at varying stages of institutionalization:<sup>125</sup>
- Geographical groups have been identified particularly in WCA and APR, including both headquarters and staff in a sub-region. Some headquarters staff, including CPMs and GS, may be included in more than one group. At least on paper, this form of group appears to lack coherence and clarity on reporting lines and it also appears inefficient to have staff responsible for only part of the countries in a group and part in one or more other groups. The reason this has evolved may be due to pragmatic distribution of CPM responsibilities in a manner that is consistent with the availability of staff.
  - Groups are also envisaged, but not yet operational, with a wider mandate, based on similarity of the countries, knowledge management and some degree of back-up by CPMs to each other. In the case of LAC, two of the three envisaged knowledge management groups are based on existing hubs with two CPMs each. The APR model includes the Viet Nam hub and, in NEN, an office is envisaged for Ankara, Turkey with some hub responsibilities vis-à-vis central Asia. In ESA and, to some extent WCA, the groups do not include any particular postings of staff in a single location (e.g. Rwanda, Tanzania and Uganda are envisaged for a group but the CPMs are currently planned to remain in Tanzania and Uganda).
234. **There are considerable differences in the extent to which regional divisions are decentralized and the models they have employed for decentralization.** ESA currently has two CPMs in headquarters, and five P5 senior CPMs in the region cover one or more additional countries. WCA is similar. However, NEN has only two ICOs with international staff in Sudan, and recently Egypt and a nationally headed ICO in Morocco. LAC has pioneered a hub model, and headquarters-based groups have been the norm in APR, with one hub in Hanoi.

<sup>125</sup> Staff also sometime refer to the groups as hubs.

235. **In the regional divisions, only slightly above half of the staff are headquarters-based. However, international and general service staff are still predominantly headquarters-based.** Compared to ten years ago, there have been important changes, notably the recruitment of a high number of national staff and some out-posting of staff from headquarters. APR, ESA and WCA have now slightly more budgeted regular staff in the field than at the headquarters. However, there is scope for further adjustments. Staff classified as CPMs fell from 55 in 2011 to 48 in 2016 (only P4-P5 can now be CPMs), but 68 percent of professional staff remain in headquarters (table 8) and all divisions have large front office and cross-country teams. Only WCA has more international staff in the field than at headquarters. The international professional staff in-country are almost exclusively P4 and P5 CPMs. The rationale for retaining junior professionals in headquarters rather than supporting CPMs and gaining experience in ICOs is not clear. Moreover, two thirds of GS staff are still at headquarters. The potential cost-savings of greater restructuring have thus not been realized. With the exception of CPMs, the decentralization has led to an expansion in the numbers of staff (national and international), with large proportions of professional and GS staff remaining in headquarters.
236. According to the e-survey, IFAD outposted staff supported the idea of transferring staff from Rome to ICOs, while HQ staff were almost equally split between favouring and disagreeing. All categories of staff favoured transferring personnel to the regions (e.g. hubs, not necessarily individual country offices; see table 9). Also, all categories of staff strongly favoured recruiting more local staff for ICOs. In order to remain cost-neutral this would require reducing the number of staff in headquarters and some consolidation of transaction- and administrative-type functions to hub offices, rather than dealing with them in all individual ICOs. No evidence was found that there had been a functional analysis on decentralized functions, and the pattern of change appears to have been largely left to the individual divisions.

Table 8

**Staff distribution by regional division (budgeted regular staff posts) in 2016**

		<i>Percentage of regional division staff in</i>		<i>Number of total staff in this group</i>
		Headquarters	ICOs	
APR	International Professionals	79%	21%	19
	National Professionals		100%	20
	Total General Service	79%	21%	14
	Total APR Staff	49%	51%	53
ESA	International Professionals	53%	47%	19
	National Professionals		100%	10
	Total General Service	65%	35%	20
	Total ESA staff	47%	53%	49
LAC	International Professionals	71%	29%	17
	National Professionals		100%	3
	Total General Service	54%	46%	13
	Total LAC staff	58%	42%	33
NEN	International Professionals	89%	11%	19
	National Professionals		100%	7
	Total General Service	77%	23%	13
	Total NEN staff	69%	31%	39
WCA	International Professionals	48%	52%	21
	National Professionals		100%	13
	Total General Service	60%	40%	20
	Total WCA staff	46%	54%	54
Sum	International Professionals	68%	32%	95
Reg.	National Professionals	0%	100%	53
Div.	Total General Service	66%	34%	80
	Total All staff	53%	47%	228

Source IFAD Staff Tables June 2016.

Table 9

**Questionnaire response summary: Future of ICOs**

	<i>Headquarters staff</i>		<i>CPMs serving in-country</i>		<i>CPOs</i>	
	Disagree	Agree	Disagree	Agree	Disagree	Agree
IFAD should: Transfer more staff from Rome to ICOs	48%	52%	15%	85%	28%	72%
Transfer more staff from Rome to the regions	25%	75%	22%	88%	13%	87%
Strengthen ICOs by recruiting more local staff	14%	86%	0%	100%	6%	94%

Responses to the CLE e-survey (2015).

237. There are some inconsistencies in organization at the country level. It was observed during country visits that sometimes CPMs and CPOs seemed to be duplicating parts of each other's work. There was positive evidence that some

functions which require a CPM could be carried out from a hub location, such as chairing donor-government sector groups.<sup>126</sup> There were good examples of sharing consultancy services and some GS staff servicing neighbouring countries<sup>127</sup> from the hubs in Guatemala, Kenya, Peru and Viet Nam.

238. In sum, in about 13 years, regional divisions have been able to establish 40 country offices (currently 39 are operational) and have recruited over 100 new national staff members, while out-posting some of their staff, especially those serving Africa. This has been a short process when compared to other MDBs. At the same time, there has been no commensurate re-organization of the headquarters divisions. With the exception of CPMs, this has led to an expansion in the numbers of staff (national and international), with large proportions of professional and GS staff remaining in headquarters. The rating for current organizational arrangements for decentralized offices and regional divisions is thus moderately satisfactory.

### **Organizational questions moving forward**

239. **Sub-regional hubs have a number of potential advantages.** Apart from Nairobi, the other hubs have only been in place for a relatively short time, but there is evidence to argue that they can be cost-efficient and effective in servicing countries. These arguments are drawn from cost estimates in this chapter (tables 5 and 6) and from interviews with IFAD staff as well as representatives from Member State governments and other in-country stakeholders, and discussions held at the CLE regional workshops. In synthesis, sub-regional hubs:
- *Strategically*: provide a sub-regional thematic perspective, facilitate cross-border approaches (e.g. in case of similar agro-ecological, institutional and cultural contexts) and facilitate engagement in sub-regional fora and inter-governmental schemes;
  - *Enhance stability, reduce isolation*: provide better continuity and flexibility in serving countries, despite staff turnover, illness and vacations. They can also provide training ground for national and international staff;
  - *Rationalize the work of staff and consultants*: allow the use of national professionals outside their own country and use consultants more efficiently across countries, including for procurement. There is also the possibility to consider some hubs hosting regional or sub-regional advisers (national or international), as is already the case in Africa and is underway for environment advisers in APR, ESA, LAC and WCA. This allows countries to be supported more efficiently and appropriately with small CPO-headed ICOs, or without ICOs. Concentration of financial transaction, document processing and monitoring in low-cost duty stations where adequate controls and segregation can be assured improves cost efficiency;
  - *Facilitate economies of scale* and ease of access in international travel and help overcome time-zone issues. While larger hub offices will have higher costs for space and require more administration, they also allow for efficiencies in administration, downsizing the physical space for some existing non-hub ICOs and more efficient use of GS staff who will be familiar with the tasks they undertake frequently rather than intermittently.
240. However, there is a **danger of a drift toward hubs based on the present structure, without functional analysis** of the hub structure or the tasks to be performed by hubs and those to be performed in headquarters.
241. **A modelling exercise was conducted to study the availability of alternative organization arrangements.** To explore the implications of alternative options for

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<sup>126</sup> E.g. chairing a working group in Cambodia from Hanoi (Vietnam).

<sup>127</sup> E.g. the hubs in Guatemala, Peru and Viet Nam, and the Tanzania office, which also serves Rwanda (which has a CPO-headed ICO).

regional divisions, this CLE modelled an illustrative direction of change for a hub and ICO network, with a restructuring of headquarters regional divisions around a decentralized model with hubs (annex VII). This is not equivalent to recommending a specific option, but the exercise helped substantiate the argument that approaches exist and may provide inputs in devising alternatives.

242. The intention in modelling was to achieve staff cost-neutrality and, if possible, cost-savings, while increasing efficiency and effectiveness. The modelling exercise only took account of regular staff costs. Establishment costs and administrative costs were not covered in this exercise. Some offices could downsize and there could be some savings. As the model would carry out more work in the regions, travel costs may be neutral.
243. The modelling approach included, with exceptions: (i) a senior CPM in each hub supported by one international professional in the hub and national professionals and GS staff; (ii) ICOs supported from the hub, generally having no or a single GS staff member and usually no CPM; (iii) headquarters divisions (except NEN) having a front office team and an ICO country support team (with two P5s and 2 senior GS staff). With the exception of NEN and a few countries with no programme, all the CPMs were decentralized, but the possibility for rotation was preserved by maintaining 2 P5s in each country support team.
244. This modelling exercise indicatively achieves an overall reduction in staff budgeted costs of US\$1.3 million for regional divisions, with lower budgeted costs at headquarters of US\$5.5 million and increased budgeted staff costs in the field of US\$4.2 million. Some modest decrease in budgeted costs is achieved for two divisions (ESA, NEN) and some modest increase for one division (LAC). More sizeable modelled reductions emerged in divisions which had staff concentrated in headquarters (APR, WCA).<sup>128</sup> Most of the modelled divisional savings reflect an assumption of transfer of junior professional responsibilities in part to national professionals, and a transfer of GS responsibilities to the field, with a net increase in field GS staff and reduction at headquarters (further details in annex VII).

## **B.2 Host country arrangements and service-level agreement with host agencies**

245. **Host country agreements were initially not seen as essential for piloting IFAD's country presence, but over time they have become important prerequisites, especially for posting international staff.** During the pilot phase, most staff were national and the ICO was hosted, and staff employed, by another United Nations agency which had a long-standing presence and the associated privileges and immunities. However, as IFAD moved to establish formal presence, employ staff directly and deploy CPMs as representatives, ICOs needed recognition of the privileges and immunities extended to United Nations system agencies and MDBs.
246. Where countries are signatories to the Convention on the Privileges and Immunities of the Specialized Agencies,<sup>129</sup> specific provisions for IFAD are covered in an annex to the Convention, which only four countries have signed. As of June 2016, out of the 39 countries where ICOs were operational, 12 had not ratified the Specialized Agencies Convention (out of the 50 countries approved for an ICO by the IFAD Executive Board, 20 had not ratified).<sup>130</sup>

<sup>128</sup> More precisely, the modelling exercise yields a budgeted staff cost reduction of US\$492,501 for APR; US\$855,672 for WCA; US\$126,780 for NEN; US\$63,246 for ESA; and an increase of US\$227,975 for LAC.

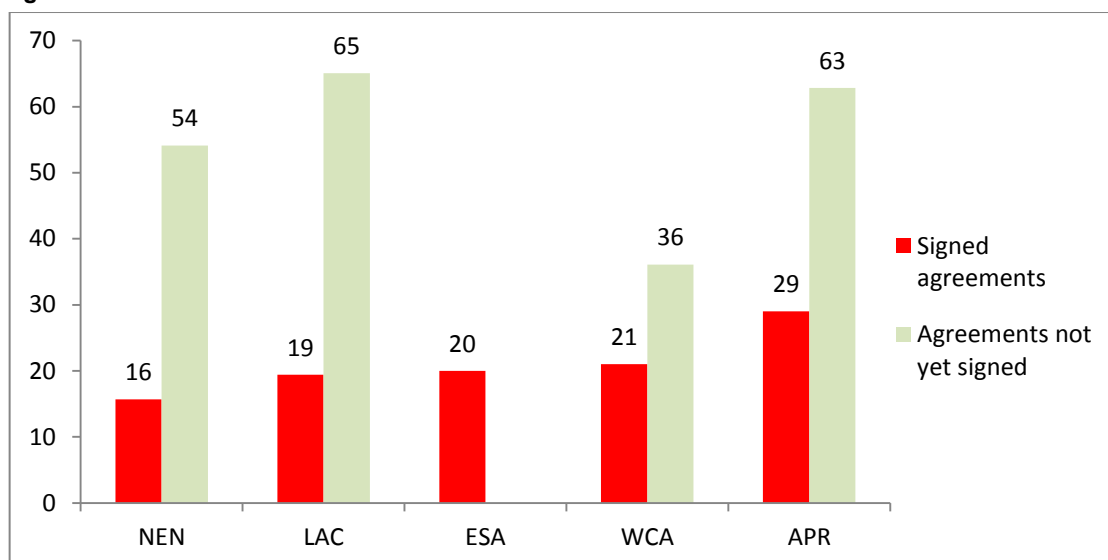
<sup>129</sup> The Specialized Agencies Convention applies to those international organizations that had entered into special relationship agreements with the United Nations pursuant to Article 63 of the Charter and contains approximately the same provisions and immunities as the Convention on the Privileges and Immunities of the United Nations.

<sup>130</sup> Afghanistan, Bangladesh, Myanmar, Sri Lanka, Viet Nam, Burundi, Ethiopia, Mozambique, Bolivia, Colombia, Panama, Peru, Kyrgyzstan, Sudan, Turkey, Yemen, Benin, Chad, Cote d'Ivoire, Mali.

247. In view of this, IFAD has found it important to have host country agreements based on a standard text but adapted to the country, with a special focus on immunities for national and international staff, as well as for tax exemption on IFAD-procured goods and services, and salaries.
248. As of April 2016, 33 host country agreements had been completed. The majority of countries signed the agreement after the establishment of the country offices but prior to the out-posting of the international staff. In four countries (Bangladesh, Bolivia, Sri Lanka and Sudan) with operational ICOs, of which two have outposted CPMs,<sup>131</sup> there are neither concluded host country agreements nor is the country a signatory to the Specialized Agencies Convention. The hub office in Guatemala functions smoothly without an agreement, and the presence of an agreement did not prove a barrier to closing the Panama office.
249. Negotiating these agreements always takes considerable time (on average 1.5 years), and figure 6 shows the average time by region from initiating work on an agreement with a *note verbale* from IFAD to the completion of agreement. The time spent in Asia and the Pacific is about 29 months, about one year longer than the time spent for countries in NEN (16 months). Figures are much higher for countries which have not yet completed an agreement (from 36 to 65 months). The delay in India of over four years deferred the placement of a CPM in the country; in China, deployment of a CPM has continued to be deferred, pending an agreement. In ESA there are no agreements now pending, but in other regions the lapse time for currently outstanding agreements is substantial.

Figure 6

**Average lapse time in months from presentation of IFAD *Note Verbale* to signature of host country agreement**



Source: IFAD Field Support Unit data (2016).

250. The reasons for delays have lain partly with IFAD and partly with the host country. The internal process involves both the Office of the General Counsel (LEG) and for practical issues the Field Support Unit, but the CPM is generally the major interface with the country and, according to interviews, some have not attached particular importance to reaching an agreement. On the country side, apart from bureaucratic drawn-out procedures, there may be delays due to the number of ministries involved, not all of which may attach importance to IFAD, and in some countries, reluctance to agree on immunities, especially for national staff (in fact some countries have tried to negotiate reduced immunities for national staff).

<sup>131</sup> Bolivia and Sudan.

## Host agencies and service-level agreements

251. IFAD offices have been physically hosted by another agency: even where the office is free-standing, support services are provided by another agency (often UNDP). When offices have become larger with CPMs, FAO and WFP did not necessarily have enough space and UNDP became the service provider, even if an office was rented separately. Only one office is hosted outside of the United Nations system,<sup>132</sup> and the normal hosts have been the other Rome-based agencies or UNDP (table 10).
252. There has been discussion of hosting by other IFIs including the regional development banks, which could potentially have synergies. However, IFIs also have concerns about access to their corporate systems, and there is no clear evidence that renting physical space from an IFI would lead to the desired benefits or be cost-effective. Other United Nations agencies work with similar systems to IFAD for human resources, travel, and procurement and this has advantages. IFAD also adheres to the United Nations system for security and must meet United Nations security standards. Being hosted by a United Nations agency does not prevent establishing a relationship with IFIs, as shown by the case of the ICOs in Laos and the Philippines that helped improve partnership and co-financing with ADB. Moreover, the option of being hosted by an IFI would be more likely after a cooperation programme has been put in place rather than before.

Table 10  
Host agencies by regional division

	APR	ESA	LAC	NEN	WCA	Total
Food and Agriculture Organization of the United Nations (FAO)	2	4	1	1	2	10
International Livestock Research Institute (ILRI)		1				1
United Nations Development Programme (UNDP)	3	2	3	3	7	18
United Nations Offices Nairobi (UNON)		1				1
World Food Programme (WFP)	5	1			1	7
United Nations Environment Programme (UNEP)					1	1
United Nations Population Fund (UNFPA)			1			1

Source IFAD ICO database (2016).

253. The CLE found in interviews and regional workshops a consensus view **that the hosting arrangements with United Nations agencies have been less costly to IFAD than setting up its own office** and have provided services which, if IFAD were to provide for itself, would have been costly in terms of time and money. It may sometimes be possible to achieve savings if the government is prepared to offer premises at a lower rental level, but this may not be without its own problems (e.g. maintenance of building, provision of certain services). There are, of course, exceptions and a pragmatic approach has been demonstrated.<sup>133</sup>
254. **However, there is a perception that services provided by host agencies need to be improved.** In their e-survey responses, only 25 percent of CPOs, but 60 per cent of CPMs serving in-country, were not satisfied (rating of moderately unsatisfactory or lower) with host agency facilities and support. Problems are not generalized to an agency overall but relate to specific country offices of an agency and can change with the management or staff in that agency. Typical complaints

<sup>132</sup> The International Livestock Research Institute (ILRI), which is part of the CGIAR system of international agricultural research centres. It should be noted that administrative support continues to be provided by UNDP.

<sup>133</sup> In Hanoi, the IFAD hub office is housed in good-quality premises provided by the government at a lower cost than was available from the UN system, and there are not any significant security concerns.



relate to delays in procuring minor items, high charges for making minor payments and delays in IFAD receiving statements of expenditure from the host agency.<sup>134</sup>

255. **In sum**, host country agreements were initially not emphasized but were later found to be important in some countries prior to the out-posting of senior CPMs. Concluding these agreements was a lengthy process due to a combination of bureaucratic complications at IFAD and in the countries, some of which were not eager to grant privileges to new international organizations. Service agreements with host agencies have been a pragmatic decision to guarantee essential services and contain costs, although quality of services has been variable and not assessed systematically. The rating in this area is moderately satisfactory.

### B.3 Resources and prioritization of ICO functions

256. The e-survey's 600 responses from people who had personally collaborated with, or worked in, an ICO confirmed the widely held view (stemming from the CLE interviews) that resource constraints limited the ability of ICOs to provide higher levels of service. **Within IFAD, no category of staff believed that the ICOs had sufficient staff or resources to deliver on their mandate**, and only headquarters staff and CPOs marginally agreed that the ICOs had adequate expertise (see table 11). The workload has expanded steadily with the assumption of direct supervision by IFAD and the expanding emphasis on non-lending priorities. This assessment was further reinforced by workshops and country visits, although some offices had overcome the problem by prioritizing work and using the supervision budget to appoint long-term consultants and short-term staff. While part of the mandate of country offices relates to non-lending activities, there is no specific allocation for these in the budget of the country office. Financial resources need to be taken from savings on other activities (e.g. design or supervision and implementation support), or additional resources (e.g. trust funds, grants) have to be mobilized.

Table 11

#### E-Survey responses – ICO resources to deliver on mandate

	<i>Headquarters staff</i>		<i>CPMs serving in-country</i>		<i>CPOs serving in-country</i>	
	Disagree	Agree	Disagree	Agree	Disagree	Agree
	( 1 – 3 )	( 4 – 6 )	( 1 – 3 )	( 4 – 6 )	( 1 – 3 )	( 4 – 6 )
IFAD's country offices have sufficient staff to deliver on their mandate	66%	34%	73%	27%	65%	35%
IFAD's country offices have sufficient resources to deliver on their mandate	57%	43%	63%	37%	50%	50%
IFAD's country offices have sufficient expertise to deliver on their mandate	49%	51%	61%	39%	35%	65%

Source: Responses to the CLE e-survey (2016).

257. **The claim that CPMs based in country office face a higher workload emerged consistently during the CLE. This is highly plausible, although not easy to substantiate in quantitative terms.** This claim was very clear from individual interviews and regional workshop discussions. A 2015 Office of Audit and Oversight study of the comparative workloads of headquarters-based and

<sup>134</sup> From interviews and workshops, it is clear that reliance on host agencies for transport or using private hires have not generally worked well and ICOs need a vehicle, which has not been approved for all. The use of host agencies or UNDP (even when it was not the host) to hire staff such as drivers or consultants has in general worked reasonably well, although there is a charge for this service. Petty cash is also said to generally work well, but many CPMs would favour separate IFAD bank accounts. Currently only the Viet Nam decentralization pilot and Ghana ICOs have these, and experience is being monitored in view of the extra workload of managing and controlling local accounts (Viet Nam includes a web-based reconciliation).

outposted CPMs found some evidence that decentralization may have contributed to increased workloads for outposted CPMs (outposted CPMs handled 6.2 projects on average, compared to 5.4 for CPMs based in headquarters). Analysis undertaken for this CLE, based on data in the Grants and Investment Projects System (GRIPS) and budgeted regular CPM posts as of the end of August 2016, did not confirm these findings. On average, headquarters-based CPMs were handling the same number as field-based ones (6.3 projects, table 12). The results varied by regional division (in APR and WCA, field-based CPMs were handling more projects on average). The average ongoing loan amounts per CPM were higher for those working in ICOs (US\$176 million) than those based in Rome (US\$147million).<sup>135</sup> These averages are sensitive to reassignments of country responsibilities.

258. However, projects are not the only responsibility of CPMs and there are obvious additionalities in the responsibilities for CPMs in the field, due to the need to manage the country office, the higher time (and expectations) to be spent on partnership and relationship building, and representation of the Fund. Therefore, it is highly plausible that CPMs' workload increases in the field. In the absence of a time-recording system, it is difficult to quantify such additionalities.

Table 12

**Staffing and portfolio distribution per CPM (regular budgeted posts, mid-2016)**

	<i>Div/ loc of CPMs</i>	<i>No. of projects handled*</i>	<i>Approved loan amounts (US\$ million)</i>	<i>No. of CPMs</i>	<i>Avg. No. ongoing projects per CPM</i>	<i>Average ongoing loan amounts per CPM (US\$ million)</i>
APR	Field	30	980	4	7.5	245.0
	HQ	42	1350	6	7.0	225.0
	Total APR	72	2330	10	7.2	233.0
ESA	Field	48	1 559	7	6.9	222.7
	HQ	15	368	2	7.5	184.0
	Total ESA	63	1927	9	7.0	214.1
LAC	Field	25	380	5	5.0	76.0
	HQ	28	454	4	7.0	113.5
	Total LAC	53	833	9	5.9	92.6
NEN	Field	4	219	2	2.0	109.5
	HQ	46	782	7	6.6	111.7
	Total NEN	50	1001	9	5.6	111.2
WCA	Field	43	1 089	6	7.2	181.5
	HQ	21	434	5	4.2	86.8
	Total WCA	64	1523	11	5.8	138.5
Total	Field	150	4226	24	6.3	176.1
	HQ	152	3389	24	6.3	141.2
	Total	302	7615	48	6.3	158.6

Source: Grants and Investment Project System, IFAD staff: Human Resources database as of August 2016.

\*Projects handled include projects that are: quality assurance (QA)-approved, Approved, Signed, Enter into Force, Available for Disbursement, and Completed.

259. In a context of high workload and resource constraints, clear division of labour and prioritization are key. **IFAD staff considered that there is adequate distinction of functions between ICOs and headquarters in substantive**

<sup>135</sup> Given that IFAD does not have a formal time-recording system, any analysis of workload is challenging and subject to some uncertainty, also reflecting: (i) support that headquarters-based CPMs receive from P2s and P3s and, in some cases, CPOs in ICOs supervised by headquarters-based CPMs; (ii) the work of headquarters-based CPMs includes the portfolios in countries with CPO-led ICOs that report to CPMs in Rome; and (iii) turnover and lengthy time required to fill CPM vacancies in ICOs.

**programmatic matters. However, there are outstanding issues of differentiation between ICO categories and prioritization.** Much of this may relate to delegation of authorities discussed further below in this chapter. The functions of ICOs are clear in broad terms and the understanding is that, when CPMs are in ICOs, they carry with them all the functions they would have performed as a CPM in headquarters. This is confirmed by the CLE interviews and e-survey results.<sup>136</sup>

260. There is no distinction of function between different categories of ICO (e.g. CPO-led ICOs have a different level of human and financial resources compared to CPM-led ones and cannot be expected to engage in the same envelope of activities). There is lack of clarity of reporting lines when a more junior or equally graded CPM forms part of a hub. ICO tasks are not differentiated in terms of their requirements for country policy and strategy inputs, knowledge management requirements, or the complexity of the loan programme, and national recruitment has not been differentiated on this basis. The generic job profiles for CPMs do reference additional duties when serving in-country but do not fully reflect the very different nature of the job.
261. **Differentiations in the perception of priority of functions.** In their responses to the CLE e-survey, IFAD in-country staff confirmed the findings that, while all ICOs functions are considered as priorities, there was a difference in the importance attached to them between CPMs and CPOs in the countries. A summary of the four functions with highest and lowest priority rating is presented in table 13. In-country staff prioritized programme work, reflecting IFAD's overall operational priority.

Table 13

**Perceived priority of functions (highest and lowest) for in-country CPMs and CPOs**

<i>Percentage of in-country CPMs</i>		<i>Percentage of national CPOs</i>	
<u>Four highest</u>	100%	<u>Four highest</u>	100%
Identifying and designing good projects focused on reducing rural poverty		Identifying and designing good projects focused on reducing rural poverty	
Project implementation support	100%	Project implementation support	100%
Government relations and partnership-building	100%	Government relations and partnership-building	97%
Country strategy and programme development	100%	Aligning IFAD's assistance with country development priorities	94%
<u>Four lowest</u>		<u>Four lowest</u>	
Contributing to the development of national capacity	63%	Partnership building with civil society	71%
Resource mobilization and cost-sharing for IFAD projects	63%	Contributing to the development of national capacity	71%
Developing and making available information (knowledge management)	56%	Resource mobilization and cost-sharing for IFAD projects	68%
Strengthening IFAD's grant programme	50%	Strengthening IFAD's grant programme	56%

Source: Responses to the CLE e-survey (2016).

262. Non-lending activities were not rated among the highest priorities by CPMs and CPOs (table 13). Strengthening IFAD's grant programme was also consistently rated lowest. The lower weight to collaboration with other agencies and to resource mobilization emanates, at least in part, from the time-consuming nature of this

<sup>136</sup> Both IFAD headquarters staff and CPMs serving in-country considered delegation to ICOs adequate for programme matters (69 per cent and 75 per cent, respectively); but whereas 57 per cent of headquarters staff considered delegation to ICOs on financial and administrative matters was adequate, 63 per cent of CPMs serving in-country disagreed (50% firmly disagreed, i.e. first 2 points on 6-point scale).

work and often limited returns to effort, as confirmed by interviews. Some staff argued that time spent in United Nations system-wide coordination was not always time well spent, due to the very different mandates. Some staff also felt a lack of qualification to undertake resource mobilization.

263. **The relative priorities to functions assigned by in-country staff were largely reflected in the use of staff time.** Country programmes absorbed the majority of effort of all categories of staff in ICOs except for GS working on administrative support (see table 14). Among the non-lending priorities, partnership absorbed the most time.

Table 14  
Reported use of staff time in IFAD country offices

	Average countries without CPMs			Average countries with CPMs			
	National Professionals & regular ICO consultants %	General Service (administration & general support) %	Country Programme Managers (if in ICO) %	Other international Professional UN volunteers & APOs %	National Professionals & regular ICO consultants %	General Service (programme) %	General Service (administration & general support) %
Country programme	53.2	62.0	56.6	69.0	64.7	58.8	35.5
Partnership and relationship-building	18.0	3.0	18.2	17.0	17.3	3.1	4.4
Policy dialogue, knowledge management and capacity development	15.7	2.0	11.4	11.5	11.8	2.4	2.9
ICO management and administration	9.1	29.6	10.3	2.0	3.6	33.4	54.7
IFAD representation and image-building	3.7	3.4	3.3	0.5	2.3	1.6	1.5
Number of cases	18	5	22	10	21	11	13

Source: ICO responses to Evaluation Country Fact Sheet.

264. **Guidance on prioritization.** If there is total work overload, some functions will not be fulfilled. There is a general understanding that 50 per cent of ICO time should be devoted to operational matters, but expectations for broader work in policy, knowledge management and in-country dialogue have been steadily growing. While part of the answer to this problem could be addressed through organizational efficiency improvements, there is also an issue of closer prioritization and definition of tasks, based on country needs and opportunities. As an example, the prioritization within policy dialogue of attendance at meetings requires guidance.<sup>137</sup> IFAD Representation was interpreted by some staff as including extensive participation in events of the diplomatic circuit, which they did not perceive as particularly useful.
265. **In sum,** in a context of high workload and constrained resources, functions are reasonably clear between headquarters and ICOs. However, there is insufficient differentiation of expectations between varying ICO types and inadequate prioritization of functions for individual countries. Guidance is not sufficient on some functions, such as inter-agency dialogue. Clarity, prioritization and differentiation of functions is thus rated only moderately unsatisfactory.

<sup>137</sup> Standard terms of reference for CPMs state that CPMs serving in country offices will participate in and contribute to all international and national meetings/thematic groups meetings.

266. Overall, the rating for institutional structure and organizational arrangements is moderately satisfactory, taking into account a moderately satisfactory rating for host agencies and service-level agreements and organizational arrangements for decentralized offices and regional divisions, and moderately unsatisfactory for prioritization and differentiation of functions.

### **C. Human resources aspects**

267. As per a decision of the Executive Board in 1978, IFAD has an observer status in the International Civil Service Commission. As stated in the Human Resources Policy adopted by the Executive Board in 2004, the salary and benefit levels of IFAD staff shall follow the methodology of the United Nations common system, as applied to various duty stations. Any matter of human resources management not specifically treated in the Policy will be decided by the President, in light of practices, rules and procedures adopted in the United Nations common system, as well as other similar financial institutions.
268. **Duties of staff serving in headquarters and ICOs are specified, but there is scope for improvement.** The generic job profiles that apply to CPMs state additional responsibilities when serving in an ICO but do not fully reflect the different nature of the job.<sup>138</sup> It emerged from the CLE interviews that placement of international staff in offices has been more on the basis of willingness to move and general qualifications, rather than on selection criteria involving the special requirements of a particular ICO or the managerial skills required to run an office and network with government and donors. The Human Resources Division and the regional directors are designing three to five new generic job profiles that will take into account the different nature of the jobs (headquarters CPM vs ICO CPM; CPO in a CPM-led ICO vs CPO leading an ICO), with an increased focus on the managerial responsibilities.
269. As implemented, staff performance assessment in the Performance Evaluation System (PES)<sup>139</sup> tends to blend knowledge management, policy dialogue and partnership-building, while the job profile has distinct functionalities for these. Performance objectives for human resources and for ICO management and IFAD representation are often lacking.<sup>140</sup> It is expected that the situation may improve when the new generic job profiles are introduced.
270. **National professional officers** are part of the locally recruited professional staff category of the United Nations system. They are selected through local/national competition to provide expertise and knowledge within the country context. As a measure for career development, deployment of national professionals to serve a wider region has now been resolved with a provision that national professionals can travel for up to six months of the year outside their country. While this is being incorporated in the generic job profile for advisors in gender and the environment, it has not yet been reflected in the profile for CPOs, and they were not recruited on that basis. Although salaries of national professionals are not necessarily lower than P2/P3 international staff, total staff costs are higher for internationals, and some national staff complained that they are not recognized as “full professionals”.
271. IFAD’s salaries and benefits are competitive for national staff in the local markets. Grading and incentives are ultimately a consideration of IFAD’s requirements in the national and international markets and cost. In the CPO responses to the CLE e-

<sup>138</sup> The generic job profile, after detailing CPM duties for one page of six functions, contains a statement that “Out-posted CPMs will additionally (a) serve as the designated representative of IFAD in the country; (b) manage the Country Office, lead the IFAD country team and as such play a central role at the country level in actualizing the coordination of operational activities for development; and (c) participate in and contribute to all international and national meetings/thematic groups meetings.”

<sup>139</sup> The individual Performance Evaluation System (PES) staff performance objectives for CPMs are generally grouped around the following broad categories of objectives: (a) project design; (b) portfolio performance/supervision/implementation support; (c) country programme management/COSOP; and (d) policy/knowledge management/partnership-building.

<sup>140</sup> IFAD internal review conducted by the Office of Audit and Oversight of CPM Performance Evaluation System, 2015.

survey, 73 per cent reported that salaries were competitive in the local market and only 15 per cent strongly disagreed.<sup>141</sup>

272. **Career opportunities for national professionals.** CPOs in offices which were established prior to the deployment of a CPM had their responsibilities and profile reduced with the arrival of the CPM. Nevertheless, 59 per cent of CPOs responding to the CLE survey considered that there were adequate opportunities for career development and only 12 per cent strongly disagreed. It is understood that to date three national professionals have become international professionals with IFAD and there are possibilities for career advancement in the international system at country level with other agencies. IFAD experimented with a scheme in which three national professional officers were given the opportunity to work in another country office for six months. The possibility to use national professionals more widely in neighbouring countries enhances their experience, but some international staff suggested that many of the senior national staff are not ideal international officers but are ideal for ICOs because of their knowledge of the country and their entrée with government. The Human Resources Division is also working on other opportunities for national professional officers to acquire new skills, knowledge and experience within and across departments, functions and duty stations, which are brought to their attention through briefing sessions (e.g. in Kenya and United Arab Emirates in 2016). In addition to serving in other countries, national officers may also serve at headquarters on temporary assignments.
273. **Training of national ICO staff is inadequate, especially for General Service staff.** Seventy-four percent of CPOs considered training adequate in their responses to the CLE questionnaire. Nevertheless, during workshops and country visits, major frustrations were expressed with training. The challenge for IFAD in integrating decentralized staff and informing them of IFAD varies substantially with the organizational model which is pursued. ICOs were started with only national staff. These staff knew little of IFAD and it was only through visiting missions, their reading, and from occasional regional meetings that they got to know IFAD. With the movement out from headquarters of existing CPMs, knowledge of IFAD came to those ICOs where they were posted. Provision is now made for exposure of newly recruited CPOs to headquarters and sometimes follow-up visits, but in interviews this was generally regarded as inadequate by both staff and supervisors.<sup>142</sup> PMD is organizing and facilitating training opportunities for ICOs regionally and globally.
274. GS staff and to some extent national professional staff in ICOs are expected to use IFAD ICT systems and input monitoring data. However, there is little training for them, although some reported (in Africa and Latin America) that they had had visits from headquarters GS staff who provided on-the-job training. What is lacking is a structured briefing and mentored training programme, some of which could be on-line. Training would also be useful for national professionals and GS in internal procurement and human resources procedures, security, and requirements for procurements under loans and grants where CPMs are required to provide “no objection”. The Human Resources Division is introducing new face-to-face and e-learning initiatives (team building, stress and conflict management, working in small and remote teams, presentation skills, impromptu speaking and meeting management, language).
275. **Most CPMs and other international professional staff were transferred to ICOs from headquarters and had knowledge of IFAD.** When duty stations were unattractive IFAD had to recruit CPMs for the ICO from outside (to date this

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<sup>141</sup> Most CPOs are graded NOC, but for those few national professional staff at the top of the grade structure (D), there are limited opportunities for advancement, if this is viewed simply as promotion in IFAD (significant upgrading of posts would also have cost implications). Four national professionals are at the top grade (NOD) out of a total of 42.

<sup>142</sup> Many CPOs reported a delay of over a year between their appointment and their first visit to headquarters, which was seldom for more than a week; interviews in headquarters and the regions confirmed that such a briefing was often not well structured.

has only occurred in a few cases).<sup>143</sup> If IFAD moves towards greater decentralization, more staff will be recruited directly into the decentralized offices and a more structured approach to their induction and subsequent training will be required. An internal IFAD review (Office of Audit and Oversight, 2015) of briefing and training requirements for CPMs serving in-country indicated that they felt they were the least prepared with respect to IFAD representation/diplomatic protocol, replenishment/resource mobilization, and Head of Office security responsibilities. The Management Development Programme for P4 and P5 IFAD staff was rolled out in 2013, but only six outposted CPMs had participated by early 2015. Training on dealing with the media was provided in 2015 in Nairobi and attended by two CPMs, one Programme Officer, three CPOs and the Regional Gender Coordinator.

276. Provision is made in the **human resources procedures for professional staff relocation**, and special post allowances have been paid to CPMs moving to ICOs, equivalent to salary at the next-higher grade. While transfer of professional staff to countries has not always been easy, 63 percent of CPMs working in-country reported on the CLE survey that incentives to move to an ICO were adequate (only 56 per cent of headquarters staff held this view). All CPMs serving in-country and most other international staff serving outside headquarters considered service in an ICO to be career-enhancing move and a challenging professional opportunity; headquarters staff shared these views. Ninety-two percent of CPMs serving in-country indicated that there were unresolved issues in reintegrating into headquarters following an assignment in the field (of whom 83 per cent strongly felt this), a view shared by their headquarters colleagues. However, this response was in the context of an expectation of returning to headquarters (this is no longer part of the mobility framework).<sup>144</sup>
277. IFAD has been cautious when it comes to implementing significant change in location of staff or job profiles and to adjusting staffing at headquarters (notably GS staff).<sup>145</sup> In a context where IFAD intends to move more rapidly towards functional re-organization and to contain costs, experience from other organizations is pertinent.
278. Re-organization and decentralization have been undertaken in most of the MDBs and much of the United Nations system. Measures have often included a mixture of incentives, including for early retirement, severance pay, and willingness to terminate staff and adjust job profiles. International programme staff in most operational United Nations agencies are expected to move at least once every five years, and there are similar requirements in some IFIs.<sup>146</sup> The period prior to reassignment is shorter for hardship duty stations.
279. According to the interviews, among the Rome-based agencies both FAO and WFP have gone through periods of adjustment which have led to short- to medium-term deteriorations in staff relations but not necessarily in the longer term. There have been greater issues for Rome-recruited GS staff than professionals. As they have far larger staff size than IFAD, there was more opportunity to offer GS staff internal transfers within Rome. However, they did make those transfers across the whole Organization and had periods of total hiring freezes. Experience has shown that staff need to be well informed of plans for change and why those changes are

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<sup>143</sup> Of the four cases of CPMs recruited from outside in 2016 to serve in an ICO, three came to headquarters for one- to three-month briefing periods before taking up the assignment in the ICO (the fourth CPM had previously worked for IFAD as a JPO). During their time in headquarters, they attended formal corporate training and at the same time were extensively briefed by their hiring division.

<sup>144</sup> At the same time, the evaluation was provided examples of country frustration with high turnover of in-country CPMs.

<sup>145</sup> On a positive note, in 2016, the Human Resources Division and PMD have been carrying out a pilot mobility programme within PMD to evaluate the applicability of a managed and structured approach to mobility within IFAD and provided feedback to Senior Management (fourth quarter 2016) on findings and lessons learned. It is also noted that mobility is part of the human resources policy framework and every IFAD staff member now signs a contract that includes a geographical (for professional staff) and functional mobility clause.

<sup>146</sup> In the UN system e.g. FAO, UNDP, UNICEF and WFP; some MDBs (e.g. World Bank).

necessary. In general, the decentralization approach of other organizations could be described as more robust.<sup>147</sup> At the same time, these organizations took care to reduce Rome-based staff with early retirement and agreed compensation packages.

280. **In sum**, IFAD's salaries for national staff are competitive but there are limitations in career opportunities. Orientation and training for national staff are not adequate. Compared to other organizations, IFAD has been reluctant to force through important changes in location of staff and job profiles, and the experience of Rome-based agencies suggests that a more robust approach is possible. Given these gaps, the rating for this dimension is moderately unsatisfactory.

#### **D. Administrative and technical support functions and decentralization of approval authorities**

281. The Administrative, Human Resources and the Financial Operations Divisions are centralized. There is only one case of partial decentralization of financial management and loan administration and disbursement functions – in the regional office of Nairobi for ESA, also covering part of WCA. The 2013/14 Decision of the Executive Board<sup>148</sup> on Country Presence<sup>149</sup> excluded the development of additional regional and sub-regional offices providing financial and administrative services until an Executive Board policy decision in 2015, which will now take place in 2016/17.
282. **The experience with the decentralization of financial management functions to Nairobi has been positive.** IFAD is a smaller agency with less staff in back-office functions and more multi-tasking at professional levels than comparator organizations, but the out-posting of financial management professionals has been found helpful by programme staff and projects. In East Africa, such professionals assist in risk assessment and supervision and can provide advice to projects (see box 5). These functions could become more important with the move to improve the link between financial management and financial management consultants, currently employed by the PMD regional divisions. In view of the positive experience in Nairobi, there may be scope to decentralize additional financial management officers to the regions, especially where the time zones and travel times are significant (LAC and APR).<sup>150</sup>

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<sup>147</sup> Substantive re-organization processes at FAO and WFP have not been challenged in the Administrative Tribunal of the International Labour Administration ruling on appeals. This CLE reviewed FAO and WFP appeals to the ILO Administrative Tribunal, to which IFAD is also subject, in the period from 1996 to date. Three cases were identified of relevance for this CLE (in 2001, 2006 and 2016). The Tribunal noted when a substantive re-organization was taking place and in its judgements only ruled against the organizations when they failed to conform to their own rules in making transfers and terminations. The damages awarded in these cases were minor (up to approximately US\$25,000).

<sup>148</sup> Following the December 2013 Executive Board discussion, approval was by communication in 2014.

<sup>149</sup> EB 2013/110/R.5/Rev.1 IFAD Country Presence Strategy (2014-2015).

<sup>150</sup> There are (as of August 2016) nine finance officer posts with regional responsibilities, of which two are in Nairobi. They are assisted by two senior GS staff.



**Outposted financial services in Nairobi**

The CFS (now FMD) group operates independently of the rest of the Nairobi Office, which falls under PMD, and the direct reporting line is to the FMD ESA team leader based in Rome. The two professional staff working on financial management work primarily for PMD-ESA. Staff are better able to understand and deal with financial management issues than if they were outside the region. They participate more easily and inexpensively in project design and supervision and can provide local training and mentoring. They travel for about seven weeks a year each (expected to increase to 11 weeks in 2017). Two training workshops of three to four days' duration were held in 2015, and ICO and project staff passing through Nairobi can arrange to meet and discuss issues with them. They do not consider it an issue that their supervisor is in Rome.

CFS is now being split in two, with withdrawal processing and disbursement and maintaining IFAD's accounts (ACD) being separated from financial management (FMD). Staff now handle all documentation electronically working on two screens, which streamlines the process and reduces communication times, document printing and physical handling, and improves archiving efficiency. It is expected that the unbundling of CFS and the introduction of FMD as a stand-alone division may enable FMD finance officers in Nairobi to significantly increase their annual mission travel, which for outposted staff is less costly and also saves time.

Source: CLE interviews (2016).

283. GS staff serving in developing countries tend to be less costly than those in Rome. While most of the regional MDBs are based in developing countries, the World Bank and many United Nations agencies have concentrated back-office services in procurement, payroll, human resources and withdrawal application processing to low-cost locations (usually a single one). For reasons principally of time zones, some have also located auditors and human resources officers outside headquarters. A cost-cutting option for IFAD could therefore be to establish a shared services centre offshore. However, the potential cost-saving effects would need to be assessed.<sup>151</sup> The e-survey asked whether administrative functions should be transferred to the regions and lower-cost centres. A majority of responding headquarters staff did not agree with this, but 42 percent did agree. In the country offices, the majority of CPMs and CPO agreed (60 and 81 percent, respectively).
284. **The Field Support Unit in the Corporate Services Department has been performing a valuable function.** The FSU works closely with PMD. It was found during interviews that FSU support was well appreciated by ICOs. The FSU has five professional and four GS posts. It includes a seconded human resources support officer and provides some administrative support functions for payment of host agencies. It manages the capital costs of opening offices, the host agency service agreements and the host country agreements. The unit also has the responsibility for security and for provision of capital investments for security in ICOs. The payment of rents for ICO host agencies is now being centralized, which will simplify the task of CPMs who hold the ICO administrative budgets. In day-to-day negotiation at country level, the FSU works through the ICOs and relies on the relevant divisions of IFAD for functions such as major procurements, Rome-based Agencies agreements for computer and vehicle purchase, and legal implications of host country agreements. Some of the IFIs (e.g. ADB and the World Bank) were reported to have units with similar functions to those of the FSU. Comparators in the United Nations system sometimes have small offices for liaison or policy coordination on decentralization, but these do not generally parallel the functions of the FSU.
285. **ICT and access to corporate IT systems were generally regarded as satisfactory by staff serving in-country.** There have been significant recent improvements in IT and communications with respect to connectivity to the

<sup>151</sup> As of August 2016 there were some 12 GS finance assistants employed on processing withdrawals and on payroll, of whom 10 were in Rome.

internet voice and video conferencing and connectivity to corporate systems.<sup>152</sup> Improvements are continuing and in a few situations may require bypassing national systems.

286. The main challenges to full fruition of ICT advancements relate to local infrastructure in the concerned countries and practical organizational items at IFAD. For example, download and upload times in some countries continue to be so long that transactions “time out” and work becomes inefficient. Electric power cuts can also be a problem. The single biggest remaining difficulty is the limited number of transactions that ICO staff carry out, which means they do not become fully familiar with the systems. For meetings, a frustration is the line dropping and the time-lag in the connection. Another complaint is the lack of attention by headquarters staff to working across time zone differences, particularly when organizing seminars and workshops in Rome.
287. Between 2013 and 2016, ADM implemented decentralized airplane ticketing in countries in Eastern and Southern Africa (Ethiopia, Kenya, Mozambique, Tanzania, Zambia), Latin America and the Caribbean (Bolivia, Brazil, Guatemala, Peru) and Western and Central Africa (Ghana). Where decentralized ticketing is in place, ICOs can benefit from enhanced services available in the country, automated systems, and cheaper locally purchased tickets, especially for travel originating in countries where the ICOs are located. ADM is planning to implement decentralized ticketing in other locations where a local travel agent is available.
288. **Regarding technical support, all categories of staff were generally satisfied with the support received from technical specialists in headquarters.** This represented 83 per cent of headquarters staff and 94 per cent of CPOs, but a slightly lower proportion of in-country CPMs: 72 per cent. Technical support by IFAD headquarters to the CPMs and ICOs is provided by PTA and ECD. Support also comes from the regional divisions on economics and portfolio management and other aspects, including gender. The regional divisions for gender and youth in Nairobi and Dakar pay national officers to serve the ESA and WCA regions, respectively (reporting line is to the Head of Office - CPM).
289. There are a few cases of the expertise of a CPO serving other parts of the sub-region, for example on procurement in Guatemala and India. Consultants continue to be the main source of technical support for CPMs. In 2014, the total consultant full-time equivalents for PMD regional divisions was 188, compared with 211 total regional division staff. Many of these consultants are used on a repeat basis and some have retainers.
290. PTA has 33 professional and higher-level posts and ten GS posts. In all technical areas, except environment and climate change, it provides technical support for the lending and grant programme and also has a role vis-à-vis knowledge management and dissemination together with the Communications Division, and a role in managing IFAD’s input to some global knowledge programmes and related grants (reportedly, 20-30 per cent of staff time is spent on global programmes and cooperation). The number of staff in core disciplines is normally two to three.
291. PTA decentralized a land tenure specialist to Nairobi for a period but currently has no decentralized staff. PTA argues that the small number of staff in each discipline makes decentralization impossible and that it is important to maintain global lesson learning and critical mass. PTA reports that the number of support missions in which staff participate has risen markedly (from 2010 to 2015, annual design missions rose from 10 to 64; implementation support and supervision missions from 20 to 101).

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<sup>152</sup> The Financial Management Dashboard, an important tool for information sharing, is now accessible to outposted staff.

292. ECD currently supports the implementation of one major donor-funded programme “Adaptation for Smallholder Agriculture Programme” (US\$367 million) and a Global Environment Facility programme of about US\$700 million. In addition to the director, four professionals are supported on the IFAD administrative budget and a further three professionals are also distributed among the regions from donor service charges.
293. **The extent to which technical services could be decentralized under the existing model is limited by numbers of staff.** ECD is exploring lower-cost alternatives and, in a cost-sharing arrangement with the regional divisions, is in the process of appointing four national professionals to be posted in Dakar, Jakarta, Lima and Nairobi. Regional divisions expressed appreciation for this flexibility.
294. Emerging from experience of other organizations and from interviews, alternative options could include moving part of the PTA budget to the regional divisions for use of staff on a call-down basis, an option which would provide both an incentive and a signal as to which expertise is in demand. This type of matrix budgeting and management has been used to some extent in IFIs, including the World Bank, and in United Nations agencies. Consultant networks could also be further developed in hub arrangements, linked to designated staff in PTA and ECD.

### **Decentralization of approval authority**

295. **IFAD has a centralized model of financial and administrative management.** The argument was that the small staffing size and capacity of most ICOs and the low value and small size of their financial transactions make it more efficient to locate the responsibility centrally for financial management in CFS (now FMD), budget management at the PMD divisional director level, and administrative management (e.g. for procurement, office space) in ADM and FSU.<sup>153</sup> However, the 2011 Country Presence Policy and Strategy envisaged stronger delegation of authority and the 2014-2015 Country Presence Strategy stated the need for IFAD’s PeopleSoft enterprise resource planning to support decentralization of financial and administrative management to ICOs.<sup>154</sup> After five years, progress has been slow.
296. In general, budget-holder responsibility remains with the regional directors. A six-month pilot initiative involving decentralization of budget and other administrative responsibilities to the Viet Nam hub started in 2016. The underlying rationale for the pilot is the available staff capacity in the Viet Nam hub and the functional capability of IFAD transaction systems to support decentralized decision making and transaction processing. The CPM in Viet Nam expressed general satisfaction with the arrangement, which he viewed as an improvement compared with the previous situation. The assessment of the outcomes of the Viet Nam pilot initiative will be an important factor before further decisions on the decentralization of budget and other administrative functions are taken.
297. **Senior CPMs serving in country offices were found to be satisfied with the delegation of the office budget but less so with the delegation of budget-holding authority.**<sup>155</sup> A little less than half of the staff at headquarters and total staff in ICOs found budget-holding delegation in the “unsatisfactory zone” (table 15). The CPMs had an understanding of the size of the supervision budget available and discretion in using it, but this could require some needless negotiation with the front office of their division and with the regional director, leading to inefficient use

<sup>153</sup> With regard to procurement, ADM has delegated authority for low-value procurement to PMD directors, who have the option to re-delegate this to their CPMs in the ICOs when the value involved is up to EUR 10,000 per transaction.

<sup>154</sup> According to the 2011 Policy and Strategy, (para. 56-e): “Further delegation of authority and refinement of the accountability framework will take place as needed,” and (para 50): “The authority of country office staff will mirror the authority of staff within IFAD as a whole. Out-posted CPMs have authority over decentralized budgets, while national staff require prior approval.”

<sup>155</sup> The supervision and design budgets are annual variable cost allocations managed by the regional divisions for travel. They do not include regular staff or the administrative budgets for ICOs, although savings on vacant posts are fungible and accrue to this allocation (allotment).

of staff time and a diminishment of both clarity and responsibility. It is easier for CPMs in headquarters who have immediate access to division directors to resolve budget and procurement issues.

298. Headquarter staff and CPOs, but not in-country CPMs, were generally satisfied with delegation for local procurement for the office and contracting for services. In-country CPMs considered that, for small transactions, segregation of authorities should be of less concern and noted that their approval authorities were generally lower than in other agencies and were limited to the ICO budget, where transactions were by their very nature small. On the other hand, audits have noted a lack of adequate controls in some ICOs for aspects such as the use of vehicles.

Table 15

**E-survey response summary – satisfaction with corporate systems**

	Headquarters staff		CPMs serving in-country		CPOs	
	Unsatisf. (1-3)	Satisf. (4-6)	Unsatisf. (1-3)	Satisf. (4-6)	Unsatisf. (1-3)	Satisf. (4-6)
Areas of some concern						
Delegated budget-holding authority	45%	55%	46%	54%	45%	55%
Supportive procurement and contracting system	37%	63%	52%	48%	20%	80%
Areas where things work well						
IT and communication systems	14%	86%	26%	74%	12%	82%
Access to corporate systems	13%	87%	16%	84%	6%	94%

Responses to the CLE e-survey (2016).

299. **Communication** was found to be an area of concern for CPM-headed ICOs, in view of the limited delegation for local in-country communication. They perceived that this led to delays, lost opportunities and time-consuming discussion with the Communication Division in headquarters.<sup>156</sup> Most other United Nations agencies and IFIs delegate significantly more authority for local communication to their country offices, which is believed to support both their representational and promotional roles and policy influence. Larger agencies often have a communication specialist as a staff member in a country office. IFAD cannot recruit a communication specialist in all offices, although it might be feasible to have a shared communication consultant within a sub-regional hub arrangement.
300. In sum, provision of administrative, ICT and technical support to ICOs has been satisfactory but there is room for further decentralization of support to projects in financial management, procurement and other technical subject matter areas. Although working-level arrangements are in place, there are issues of limited delegation of authority to senior CPMs for country budgets, local procurement, consultant recruitment and communication at country level. The rating for organization of administrative and technical support functions and decentralization of authorities is moderately satisfactory.
301. **On balance**, the rating for efficiency is moderately satisfactory. This takes into account the rating of moderately satisfactory for the management of decentralization costs, for the institutional structure and organizational arrangements, and for organization of administrative and technical support

<sup>156</sup> According to current practices, staff who have undergone training offered by the Communication Division are authorized to serve as IFAD spokespeople with the media, those who follow IFAD's social media guidelines are encouraged to engage in social media, those who obtain the approval of their respective director (since directors hold authority for publishing) and follow IFAD's publishing guidelines may develop publications, and so on.

functions and decentralization of authorities; but moderately unsatisfactory for human resources aspects.

### Key points

- Opening country offices has not led to PMD and IFAD budget escalation. This was also thanks to the absorption of the budget previously dedicated to UNOPs supervision as well as to budget increases in 2008-2010. Available resources allowed PMD to ensure programme management and implementation support but not a commensurate enhancement in non-lending activities.
- PMD staffing levels at headquarters have not been reduced as decentralization has proceeded. There is potential for cost efficiency to be realized from sub-regional hubs, although IFAD has not yet fully analysed and explored it.
- In about 13 years, regional divisions have been able to establish 40 (39 operational) country offices. There has been no commensurate functional analysis and re-organization of the headquarters divisions. A CLE modelling exercise suggests that options are available to further improve cost efficiency.
- Host country agreements were initially not emphasized but were later found to be important in some countries prior to the out-posting of senior CPMs. Service-level agreements with host agencies have been a pragmatic way to guarantee essential services and contain costs, even if the quality of services has been variable.
- In a context of high workload and constrained resources, while functions are reasonably clear between headquarters and ICOs, there is insufficient differentiation of expectations between varying ICO types (all are expected to engage in the same type of activities and services).
- There is room for further decentralization of support to projects in financial management, procurement and other technical subject matter areas. Although working-level arrangements are in place, there are issues of limited delegation of authority to senior CPMs for country budgets, local procurement, consultant recruitment and communication. Given the expectations set in the 2011 Country Presence Policy and Strategy, progress has been slow in this area.

### Ratings by evaluation criteria and sub-criteria - Efficiency

<i>Evaluation criteria</i>	<i>Evaluation sub-criteria</i>	<i>Rating</i>
Efficiency	A. Management of costs of decentralization	moderately satisfactory (4)
	B. Institutional structure and organizational arrangements	moderately satisfactory (4)
	B.1 Current arrangements for country offices and regional divisions	moderately satisfactory (4)
	B.2 Host agencies and service-level agreements	moderately satisfactory (4)
	B.3 Resources and prioritization of ICO functions	moderately unsatisfactory (3)
	C. Human resources aspects	moderately unsatisfactory (3)
	D. Administrative and technical support functions and decentralization of approval authorities	moderately satisfactory (4)
	<u>Overall rating for Efficiency</u>	<u>moderately satisfactory (4)</u>

## VI. Conclusions and recommendations

### A. Conclusions

302. **The overall objectives and evolving design of the decentralization process were relevant but with significant areas for improvement.** Functions assigned to ICOs were generally regarded as of high priority by both developing country government representatives and IFAD staff. Many assumptions were well justified but some not entirely valid, such as in the case of the “light touch” approach and cost neutrality. In particular, these two assumptions were not consistent with the broad set of objectives assigned to country offices, including the support to non-lending activities. Combined with the priority assigned to portfolio management and implementation support, this translated into under-resourcing of non-lending activities. Although IFAD emphasized country presence, it did not foresee significant adjustment in the respective overall roles of headquarters and the country offices.
303. Findings from previous evaluations and the experience of other organizations were considered in the design and implementation of the decentralization but their application was not immediate and was thus sub-optimal. The Executive Board approved each step of the decentralization and was active in oversight. However, the monitoring system was weak, thus limiting the basis for both Executive Board governance and internal management guidance.
304. **Findings on operational performance and development results attest to significant improvements.** There is evidence that country offices played an important role in better aligning IFAD’s country strategies and programmes with local needs and priorities. Presence in the countries was a fundamental cornerstone of IFAD’s agenda to engage in direct supervision and, even more so, implementation support. Staff based in ICOs ensured follow-up, continuity of support and problem-solving capacity to project teams, thus helping enhance implementation quality. This led to enhanced project implementation performance, notably for project effectiveness, as shown by the analysis of independent evaluation ratings.
305. In terms of development results, the presence of country offices was associated with improvements in overall rural poverty impacts, particularly impacts on household income and household food security and agricultural productivity. Results in terms of gender equality and women’s empowerment were also higher in countries with ICOs. Similarly, some improvements were noted in terms of sustainability of benefits, innovation and scaling up, and overall project achievement. In sum, evidence available to this CLE validates the implicit “chain of results” of the decentralization strategy. The chain has mainly operated through country presence, programme design and implementation support, bolstering the delivery of projects’ immediate objectives and, thereupon, contributed to development effectiveness.
306. **So far, decentralization has supported non-lending activities to a lesser extent than originally envisaged.** Non-lending activities were given prominence in the decentralization process. While partnerships with governments and, to some extent, with donors and non-governmental organizations were improved, there was little evidence that programmatic collaboration with Rome-based agencies and United Nations organizations increased as a result of country presence.
307. Enhancements in engagement and results in policy dialogue did not take place consistently. Country presence opened up opportunities to build relationships and trust with policymakers, participate in sector working groups and provide input to policy discussions based on practical experience. However, because of limited resources and competing priorities, relatively little ICO staff time was allocated to policy dialogue and there was no specific administrative budget line for country

offices allocated to non-lending activities, meaning that these offices would need to finance them through budget balances on other activities (e.g. supervision, implementation support). This area was largely left to the interest of country office staff, for whom policy dialogue experience was not one of the criteria adopted for their selection. Moreover, as noted by the recent CLE on the PBAS, IFAD has not made sufficient use of the RSP assessment, a tool that can be revamped through country presence.

308. Similar issues of resource constraints affected ICOs' capacity to engage in knowledge management. In addition, there was no system in place to facilitate access to country/project-specific knowledge products. Country offices were not provided with resources commensurate with the ambitions set in policy documents.
309. More in general, this CLE found that **there was a mismatch between the aspirations for ICOs on the part of both IFAD and its clients and the ability of small offices to deliver the full range of desired services**, and notably non-lending activities. Consistent with the guidance set in the 2011 Country Presence Policy and Strategy, ICOs prioritized programmatic matters over non-lending activities in allocating their time. Also, there has been little differentiation of priorities in non-lending activities according to countries and ICOs, some of which are very small but expected to be involved in the same scope of activities as others. Guidance for ICOs was also limited on the involvement in representation activities and inter-agency affairs, particularly in the United Nations system.
310. **There is no clear evidence that CPM-led offices outperform CPO-led ones.** While there were some areas related to operational efficiency with higher performance of CPM-led ICOs, this was not a generalized finding. Turnover of CPMs and some lack of clarity of the division of labour and roles may help explain this finding (in addition, few country offices had a CPM for a significant number of years). Turnover of CPMs and country office staff in general is a special concern in countries affected by fragility situations, causing discontinuity in strategic guidance and partnerships.
311. The fact remains that CPO-led ICOs played an important role in helping IFAD to deliver better development outcomes in many areas. Noting their important role, the CLE found that the orientation and training of CPOs, as well as those of national staff in general, have been inadequate. At the time of their recruitment, these staff knew little about IFAD and faced a steep learning curve. They were expected to use IFAD ICT systems and input monitoring data, but little training was available to them.
312. Out-posted CPMs have some responsibilities that cannot be assumed by national staff. At the same time, there is a limited number of CPMs at IFAD, and the CPM-based country presence model entails higher costs. This has implications for the choice of future country presence modalities.
313. **Cost neutrality was an over-optimistic goal, but IFAD managed to keep control over its administrative budget. Yet there are opportunities for further cost-efficiency gains**, as already observed by the 2013 CLE on Efficiency. Opening country offices implied additional costs. Initially, by terminating the supervision agreement with UNOPS, PMD absorbed the related budget, which made it possible to pay for direct supervision and country presence costs. From 2011 until 2015, PMD absorbed cost increases with a flat budget profile in nominal terms. This does not appear to have significantly compromised capacity for strategy and programme management but has not supported the achievement of non-lending objectives, as these activities were penalized in terms of resource allocation.
314. IFAD's decentralization has evolved with a degree of experimentation, but **there has not been an in-depth analysis of which functions can be best carried**

**out by headquarters and which by ICOs or other decentralized offices**, and what functions can be best undertaken by international professionals and by national professionals at the country and sub-regional levels. While country office staff size increased significantly, PMD staffing levels at headquarters have not been reduced. Compared to other organizations, IFAD has not implemented major headquarters restructuring. The experience of Rome-based agencies suggests that a more robust approach is possible.

315. There has not been a thorough analysis of cost implications of different alternatives to country presence. Under certain conditions, there is potential for cost efficiency to be realized from sub-regional hub offices, which display lower per country and per project costs compared with CPM-led ICOs. This has not yet been fully explored. Instead, opening new offices entails sizeable additional costs but limited increases in the portfolio coverage because countries with a larger loan portfolio have already been covered. In addition to cost-efficiency considerations, the sub-regional hub model offers a number of advantages from the programmatic point of view (e.g. sub-regional and transboundary strategic positioning) as well as from the perspective of stability of human resources, reducing isolation, rationalizing the work of staff and consultants, and generating economies of scale, including for administrative functions. A modelling exercise conducted by this CLE exemplifies such opportunities.
316. IFAD evolved from a traditional highly centralized structure and business model. The evolution from that model has been important and rapid, but IFAD's business change process initially emphasized expanding country presence and only recently has it turned towards decentralization.
317. In consideration of the findings of this evaluation and the experience of other IFIs and United Nations agencies, **the main issue is now shifting from explaining the benefits of decentralization towards justifying where and why to maintain centralized organization, authority and processes**. In particular, despite the expectations set out in the 2011 Country Presence Policy and Strategy, this CLE noted issues of limited delegation of authority to senior CPMs for country budgets, local procurement, consultant recruitment and communication. Human resources procedures have been updated to match out-posting requirements of professional staff, but there is space for improvement in providing incentives for out-posting of international staff, and training and career development paths for national staff. Also, IFAD's financial management systems do not capture the type of information that is necessary to identify and strategically manage the costs associated with decentralization.
318. Moving forward, if IFAD embarked on a sustained increase in the size of the programme of loans and grants, under a zero-growth budget profile, this would presumably lead to an increasing volume of work and demand in headquarters and, even more so, the country offices. Decentralization would need to be deepened and strengthened, in order to be able to respond to these challenges, maintain and enhance the quality of operational performance and development results.

## **B. Recommendations**

319. Building on the findings and conclusions of this CLE, the goal of these recommendations is to help IFAD enhance operational performance and, through that, development results. They are meant to inform future strategies and plans for decentralization, such as the corporate decentralization plan which Management will present to the Executive Board in December 2016.
320. **Recommendation 1. Strengthen IFAD's country presence while pursuing options to enhance cost efficiency**. This priority was already identified by the 2013 CLE on IFAD's Institutional Efficiency. After conducting a functional analysis exercise, IFAD should strengthen its country/sub-regional presence and capacity in the field by building "critical mass" and concentrating rather than dispersing human



and financial resources. In a parallel effort to enhance effectiveness and efficiency, it should reduce staff at headquarters and increase staff in country offices, closer to the country programmes, and particularly where programmes are relatively large. The modelling exercise of this CLE exemplifies possible approaches (see Efficiency and annex VII). *This will entail the following measures:*

321. **1.a** Re-organize country presence around a selected number of sub-regional hubs, supporting other country offices (CPO- or CPM-led). Establishing hubs should be guided by functional analysis, taking into account, inter alia, size of the portfolio, planned non-lending activities, country characteristics (e.g. accessibility via international travels, ICT connectivity, security) and opportunities to support other offices. Hubs could be grown out of existing ICOs and reduce pressure to establish new ones. Conversely, IFAD should be ready to downsize or close country offices when portfolio size or other criteria do not justify their recurrent costs.
322. **1.b** Based on a functional analysis exercise, identify options to rebalance staffing levels (professional and GS) from headquarters to regional hubs and country offices, in particular those which could perform some functions now performed by headquarters regional divisions. Headquarters divisions will need to retain focused but functional support teams, including senior professionals, which would also allow some rotation between country-based CPMs and headquarters. While this change process may entail initial investment costs, it should be devised so as to generate savings in recurrent costs at PMD level.
323. **1.c** Consider further decentralization of other functions (such as financial management, based on the positive experience in Nairobi) to the regions, especially LAC and APR, which have time zone issues and high travel costs from Rome. Consultants and national staff could also be managed sub-regionally for support in such areas as procurement and financial management.
324. **Recommendation 2. In order to achieve stronger development results, better support to non-lending activities through decentralization is needed.** Benefiting from greater proximity with national stakeholders, in its country strategies IFAD should prepare a realistic agenda for non-lending activities with specific resources allocated. *This will entail the following measures:*
325. **2.a** Introduce, in country strategies, greater selectivity in the agenda for non-lending activities, based on consultation with governments, participation in coordination groups with other organization and interaction with non-government actors. Differentiate the non-lending agenda and the expectations by type of country office (e.g. CPO-led, CPM-led, hubs) and according to its resources. As shown by the recent CLE on the Performance-based Allocation System, the annual rural-sector performance assessment can be a tool for articulating non-lending activities.
326. **2.b** Estimate the required resources (staff, type of expertise, financial) for non-lending activities and establish a dedicated budget line for the same in country offices and sub-regional hubs. Enhance collaboration and synergy between PTA, SKD and country offices. Linkages should also be strengthened between country programmes and the grant programme. Allocating a larger share of the grants to country programmes, as already recommended by the CLE on the IFAD Grant Policy (2014), would be an important step forward.
327. **2.c** Include skills and professional experience in non-lending activities as criteria for staff recruitment in country offices, and monitor progress and achievements as part of the country office and staff performance evaluation process. Provide opportunities for training as well as exchanges of experiences in non-lending activities.
328. **Recommendation 3. Enhance the efficiency of decentralized decision making in country offices and sub-regional hubs through stronger**

**delegation of authority.** Within a strengthened decentralization setting, there will be scope and need for further delegation of authority, notably for budget holding (supported by sound internal financial control) and communication. *This will entail the following measures:*

329. **3.a** Based on an assessment of the pilot in Viet Nam, prepare a plan (including provisions for training and internal financial control) for delegating further budget-holding authority to country directors, particularly when they are also heads of sub-regional hubs, as this entails a higher volume of transactions to be approved.
330. **3.b** Define a framework for further delegation of authority to country directors and heads of sub-regional hubs as it concerns communication, as well as for establishing a platform to facilitate access to analytical and knowledge products prepared by country offices and project teams, including material prepared in local languages, which should be easily tracked and retrieved.
331. **Recommendation 4. Enhance staff incentives and capacity to operate in a decentralized environment.** IFAD needs to create an enabling environment for decentralization by addressing incentives, skills and competencies of national and international staff. *This will entail the following measures:*
332. **4.a** Strengthen incentives for outposted staff (e.g. monetary incentives, opportunities for career advancement, other benefits), notably for those in countries with fragility situations where frequent staff moves have the most disruptive effects.
333. **4.b** Expand and better structure the orientation and mentoring programme, particularly for new staff (national and international) who have little previous exposure to IFAD. While training would naturally include the mandate, strategies and policies of IFAD, there is also a special need to train country office staff on the functionality of IT systems, security, internal procurement and requirements for procurements under loans and grants where “no objection” from IFAD is required.
334. **4.c** Given the demonstrated importance of the function of CPOs, IFAD Management should develop a plan to better recognize and empower CPOs, particularly those heading country offices. This may involve developing better career management and providing more training to develop the skill sets needed by CPOs, revisiting the generic job profiles for NOA, NOB, NOC and NOD<sup>157</sup> to ensure that the levels are clearly defined, and more explicitly recognizing and rewarding the work of CPOs.
335. **Recommendation 5. Improve the quality of data, monitoring and self-assessment.** IFAD needs to generate and report data that allow Management and the Executive Board to provide strategic guidance on decentralization, based on assessment of performance and cost efficiency of different options. *This will entail the following measures:*
336. **5.a** Adjust the IFAD accounting system so as to monitor more comprehensively the cost of country programme management under different ICO configurations, which to date has been presented in a fragmented manner (e.g. separately for country staff costs, administrative costs, supervision costs) and report on them clearly in the official documentation.
337. **5.b** Reduce the number of indicators for ICO monitoring, revise the definition of selected indicators (e.g. table 2, chapter III) and integrate them into IFAD-wide management information systems and Report on IFAD’s Development Effectiveness (RIDE) reporting.
338. **5.c** Allow for a periodic revision of the IFAD Corporate Decentralization Plan and report back to the Executive Board for further guidance.

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<sup>157</sup> NOD = National Officer D grade; NOC = National Officer C grade; NOB = National Officer B grade; NOA = National Officer A grade.

## Evaluation framework

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
<b>Relevance</b>	<p>KEY QUESTIONS:</p> <p><b><i>What is the International Context for Decentralization and its relevance to IFAD?</i></b></p> <ul style="list-style-type: none"> <li>• Paris/Accra/Busan and the policy perspective of donors and developing countries</li> <li>• Millennium Development Goals (MDGs)/Sustainable Development Goals (SDGs)</li> <li>• Trends toward decentralization in international agencies, including United Nations agencies and Rome-based Agencies</li> </ul> <p><b><i>Is the decentralization, as it developed, coherent with IFAD's stated objectives?</i></b></p> <p><b><i>What was the level of institutional commitment to decentralization?</i></b></p> <ul style="list-style-type: none"> <li>• Clarity of decisions and commitment by the Executive Board and by senior management</li> <li>• Commitment of staff to decentralization</li> </ul> <p><b><i>Relevance of the strategy design as it was initiated and as it evolved formally and informally</i></b></p> <ul style="list-style-type: none"> <li>• Quality and clarity of the design as originally specified</li> <li>• Coherence of the decentralization strategy with other major IFAD institutional reforms (e.g. assumption of direct supervision)</li> <li>• Plausibility of underlying assumptions including those for costs and benefits</li> <li>• Conformity of the implementation to the evolving design/plan</li> <li>• Relevance of the decentralization as implemented, including any divergences from Plan</li> <li>• Relevance for the future including flexibility of the corporate structure</li> </ul> <p><b><i>What is the Relevance of decentralization to national ownership and direction?</i></b></p> <ul style="list-style-type: none"> <li>• Enhanced national ownership and direction of development assistance</li> <li>• Decreased burden on government for formalized reporting to IFAD</li> </ul>	<p>Declarations of intents</p> <p>Extent of decentralization in other agencies</p> <p>Functions decentralized in other agencies</p> <p>Coherence of decentralization with Strategic Framework (2007-10; 2011-15; 2016-25)</p> <p>Executive Board decisions; Management decisions</p> <p>Logic, gaps, specification of functions to be decentralized including those for programme and those for administration, time frames</p> <p>Evidence of how rapidly IFAD has changed structures, staffing and functions in the past</p> <p>Perception of Governments</p> <p>Evidence of joint projects, joint policy or knowledge work, IFAD programme integration with other donor/United Nations programmes</p> <p>Information to and guidance from the Executive Board on policy and strategy (avoidance of operational decision making)</p> <p>Comprehensiveness of management guidance</p> <p>Monitoring, reporting and accountability frameworks, coverage by evaluation and audit</p>	<p>Public documents including Strategic Framework and Executive Board</p> <p>Comparator studies</p> <p>Executive Board and Management documents</p> <p>Questionnaires and interviews</p> <p>Executive Board, Replenishment and Management documents, including budget, human resources and internal audit documents and evaluations</p> <p>Views from questionnaires, interviews and workshops</p>

Evaluation criteria	Evaluation questions	Indicators	Data sources
	<ul style="list-style-type: none"> <li>• Coherent action at country level with international partners</li> </ul> <p><b>How appropriate was the Institutional governance for the decentralization including the Executive Board and Management?</b></p> <ul style="list-style-type: none"> <li>• Oversight and management</li> <li>• Monitoring reporting and accountability</li> </ul>		
<b>Effectiveness</b>	<p>KEY QUESTIONS:</p> <p><b>To what extent has decentralization and the establishment of ICOs contributed to the achievement of IFAD's institutional objectives?</b></p> <ul style="list-style-type: none"> <li>• How did decentralization contribute to preparing country strategies, loan/grant identification and preparation and project preparation of project?</li> <li>• How did decentralization contribute to better supervision and more efficient project implementation?</li> <li>• How did decentralization contribute to strengthening IFAD's partnerships with in-country stakeholders?</li> </ul> <p>Governments (including counterpart funding)</p> <p>United Nations agencies and the local donor community</p> <p>Enhanced harmonization of IFAD's programme with other donors and United Nations agencies, including the Rome based agencies</p> <p>Resource mobilization and cofinancing</p> <p>Non-government stakeholders (including civil society organizations representing farmers and beneficiaries and the private sector)</p> <p>How did decentralization contribute to IFAD's policy dialogue?</p> <p>How did decentralization contribute to knowledge management?</p> <p>How did decentralization contribute to innovation, replication and scaling up?</p> <p><b>To what extent has decentralization contributed to achieving better development results including:</b></p> <p>relevance, effectiveness and efficiency and overall results</p> <p>impact on rural poverty</p> <p>gender equity</p> <p>environment and natural resources management</p>	<p>Quality at entry ratings of the COSOPs</p> <p>Survey perception ratings of, and feedback from, ICO case studies and regional consultation workshops on issues related to project design, implementation, partnerships, policy dialogue, knowledge management and capacity building</p> <p>Number of projects and value of IFAD financing in countries with country offices</p> <p>Quantitative analysis of portfolio data (e.g. time from loan approval to entry into force and first disbursement; disbursement profile; average time for processing withdrawal applications; projects at risk; delays in implementation; project status report ratings for selected fiduciary aspects)</p> <p>Analysis of indicators in the monitoring framework for outreach and scaling up, country programme development, partnership-building, policy dialogue and knowledge management and innovation</p> <p>Analysis of indicators in the annual portfolio reviews (i.e., development achievement, food security, gender focus, poverty focus; climate and environment focus)</p> <p>IOE project and country programme evaluation ratings</p>	<p>Desk review, databases, project status reports, internal audit reports, evaluation reports, online survey, interviews, regional consultation workshops, ICO case studies. Grant-related documentation</p> <p>The quantitative analysis of the country office monitoring frameworks, portfolio data and online survey will be done for with and without and before and after (when possible) comparisons</p>

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
<b>Efficiency</b>	KEY QUESTIONS:	Clarity, duplications, capacities	Data on costs, savings and staffing
	<b><i>What is the efficiency and functionality of the Institutional Structure and Organizational Arrangements - Decentralization in the Corporate Structure</i></b>	Costs and estimated savings (including in managerial time)	Questionnaires, Interviews, Regional workshops
	Distribution of functional responsibilities by typology of ICOs – progress to date	Security	Comparator studies
	Reporting lines delegation of authority by typology of ICOs	Qualitative interaction and synergies	Audit reports
	Independent and Service-level Agreement for hosting agency (advantages and disadvantages)	Visibility and image	Electronic survey
	Host Country Agreement	Adequacy of ICO/Headquarters connectivity for different categories of function and transaction	Desk review, databases, ICO annual progress reports, internal audit reports, online survey, interviews, regional consultation workshops
	<b><i>What was the contribution to Efficiency of Decentralization of Administrative and Financial Business Processes</i></b>	Adequacy for remote transaction handling, including delegated authorities and controls (separation of initiation, entry and authorization)	Desk review, databases, ICO annual progress reports, internal audit reports, online survey, interviews, regional consultation workshops
	Decentralization of disbursement functions	Adequacy of staff in ICOs to handle decentralized transactions	
	ITC systems and connectivity	Period between approval and entry into force	
	Transaction and service handling for ICOs by host and/or co-located agencies.	Country office costs, administrative and programmatic	
	IFAD's policies and processes for managing decentralization costs – (both recurrent and non-recurrent) and their effectiveness	Number of host country agreements signed	
	Contributions of decentralization/ICOs to improving the efficiency of IFAD's business processes	Number of supervision/ implementation support missions in which country office staff participate	
	Opportunities for further efficiency gains, including potential for decentralizing administrative functions to lower cost countries	Number of country offices with access to the IFAD Intranet	
	Risks and oversight	Staff views. Willingness to move from Rome. Views on functions to decentralize. Selection criteria for ICOs, the different ICO models, budget and staffing criteria; terms of reference of ICOs and HQ units and staff)	
	<b><i>How did decentralization support programmatic and managerial efficiency?</i></b>		
	Programmatic efficiency indicators by typology of ICOs (with and without ICO and before and after ICOs)		
	Adequacy of current systems, indicators and definition of targets		
Adequacy for managerial decision-making and Executive Board oversight			
<b><i>What was the contribution to Efficiency of human resources management?</i></b>			
Trend and current human resource placement – office staffing including consultants and use of host agency staff)			
Staffing profile of ICOs including terms of reference (clarity) and match of staff with terms of reference in terms of seniority and capacities			

<i>Evaluation criteria</i>	<i>Evaluation questions</i>	<i>Indicators</i>	<i>Data sources</i>
	<p>Policies for international staff (selection, rotation, career and capacity development, maintaining country knowledge and Headquarters connectedness, incentives)</p> <p>Policies for national staff, including potential for career development, knowledge of IFAD and staff improvement.</p> <p><b>What were the overall costs and savings of decentralization?</b></p> <p>Costs and savings by Headquarters Divisions and typology of ICOs (with and without ICO and before and after ICOs); functional breakdown below is desirable but will depend upon data availability.</p> <p>By Development Support Function</p> <p>Administrative and Financial Support Function</p> <p>Costs of oversight of ICOs</p> <p>Any duplication of functions and efficiency implications</p> <p>Trends in objects of expenditure including travel, salaries, consultants and communications (ICOs and Headquarters Divisions)</p> <p>Impact of cost drivers such as salary scales, mix of headquarters-based and local staff, and country requirements for security</p>		

## Definition of the evaluation criteria used by IOE

<i>Criteria</i>	<i>Definition<sup>a</sup></i>
<b>Project performance</b>	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
<b>Rural poverty impact<sup>b</sup></b>	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
Household income and assets	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
Human and social capital and empowerment	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grassroots organizations and institutions, and the poor's individual and collective capacity.
Food security and agricultural productivity	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
Natural resources, the environment and climate change	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment as well as in mitigating the negative impact of climate change or promoting adaptation measures.
Institutions and policies	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
<b>Other performance criteria</b>	
Sustainability	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
Innovation and scaling up	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
Gender equality and women's empowerment	The criterion assesses the efforts made to promote gender equality and women's empowerment in the design, implementation, supervision and implementation support, and evaluation of IFAD-assisted projects.
<b>Overall project achievement</b>	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
<b>Performance of partners</b>	
IFAD	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. It also assesses the performance of individual partners against their expected role and responsibilities in the project life cycle.
Government	

a These definitions have been taken from the Organisation for Economic Co-operation and Development/Development Assistance Committee Glossary of Key Terms in Evaluation and Results-Based Management and from the IFAD Evaluation Manual (2009).

b The IFAD Evaluation Manual also deals with the 'lack of intervention', that is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the particular impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or the mention 'not applicable') is assigned.

## Evolution of IFAD's decentralization

Timeline	Main events
2016	IOE undertakes a corporate-level evaluation on IFAD's decentralization
2013	The Executive Board approved the IFAD country presence strategy (2014-2015) with revisions proposed by Management captured therein
2011	The Executive Board approved the IFAD country presence policy and strategy
2008 - 2010	Annual progress report on the Activity plan for IFAD's country presence prepared by Management
2007	Corporate-level evaluation on IFAD's Field Presence Pilot Programme conducted by IOE IFAD Management presented the Activity plan for IFAD's country presence
2006	The Executive Board approved IFAD policy on supervision and implementation support
2003	The first country presence initiative, the three-year Field Presence Pilot Programme, was approved by the Executive Board
2002	A proposal to enhance IFAD's field presence by strengthening in-country capacity was presented to the Executive Board
2000 - 2002	The issue of IFAD's presence in countries was discussed during the Consultation of the Fifth Replenishment



## Effectiveness data analysis

1. The main purpose of the quantitative analysis of various databases was to assess whether IFAD's decentralization efforts, through the establishment of different types of ICOs, contributed to helping IFAD to deliver better development results. The analysis included qualitative and quantitative sources based on data available in IOE (such as the ARRI) and IFAD databases (e.g. PSR database; Grants and Investment Projects System; Flexcube).
2. The time frame of the analysis was generally from 2003 to 2015. However, given the different sources and material used, the time frame varies depending on the evaluation coverage.
3. The databases analysed were divided to **classify the information** by different groups, to assess IFAD's operational performance and development results in countries "with and without" ICOs and "before and after" the establishment of the respective ICOs. These cases provided a partial counterfactual to help address the question of what would have happened if ICOs were not established.
  - **With and without an ICO.** With ICO: projects were located in countries in which an ICO was operational for two or more years before the project was completed.<sup>1</sup> Without ICO: projects were located in countries where there was no ICO or the ICO was operational for less than two years. Countries without their own ICO that were covered by a hub were included in the "without an ICO" case. Hubs are a relatively new occurrence and it was not always possible to determine with precision when a hub became responsible for covering other countries.
  - **Before and after.** These cases only included countries with an ICO. The evaluated projects were analysed as: (i) before: the ICO was not established or had not been operational for two years before project completion; and, (ii) after: the ICO was operational for two or more years before project completion.
  - **CPO-led, CPM-led and ICO operational for longer periods of time.** The third level of analysis examined ICOs by different sub-categories:
    - CPM-led: ICOs where the first CPM was outposted for two years or more before the project was completed.
    - CPO-led: ICOs without an outposted CPM in that specific office.
    - ICO operational for x number of years: projects with an operational ICO for more than four or more or eight or more years before project completion.
4. The **validation of the results** consisted in running a series of statistical tests.<sup>2</sup> If the statistical tests returned a P value smaller than 0.10 the evaluators assessed the results as moderately statistically significant (\*), values smaller than 0.05 as statistically significant (\*\*), and smaller than 0.01 as highly statistically significant (\*\*\*). An additional validation method consisted in cross-checking data with published documents, such as the ARRI and the IFAD Annual Reports.

<sup>1</sup> The "with ICO" category varied, depending on the data sample size and its balance for the "with" and "without" cases. In some cases, it was considered "with ICO" when the ICO was operational for at least half of the project's duration and/or if the ICO was operational before project approval.

<sup>2</sup> The statistical test used was a two-sample t-test for the equality of means, which is commonly used to determine whether the mean of a population significantly differs from the mean of another population (e.g. projects with and without an ICO). The statistical software used was STATA: Data Analysis and Statistical Software, version 13.

### Project completion report validation (PCR/V)/project performance assessment/project evaluations (PPA/PE) ratings database

5. The PCR/V/PPA data series was introduced for the first time in the 2013 ARRI and contains ratings from PCR/Vs, project performance assessments (PPAs) and impact evaluations. The following data analysis includes project evaluations for projects completed after 2007. The database of the PCR/V/PPA/PE contains ratings for 156 evaluated projects (The database includes: 85 PCR/Vs, 39 PPAs, 2 impact evaluations, and 30 PEs). The database includes only completed projects from 2007 to 2015. Only since 2006 have all evaluations been based on a consistent methodology including the use of ratings. From the total sample, 96 projects closed in 2007-2011 and 60 in 2012-2015.

#### With and without analysis

Table 1

Average score of the PCR/V/PPA data series. Countries with ICO 2 years before the project was completed

	<i>Project overall achievement</i>	<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>	<i>Average project performance</i>	<i>Partner performance</i>	<i>IFAD</i>	<i>Cooperating institution</i>	<i>Government</i>	<i>NGO/ other</i>	<i>Co-financiers</i>
Countries without ICOs	3.97	4.38	3.89	3.60	3.95	.	4.13	4.10	3.80	4.43	5.00
Number of observations	103	104	104	103	101	.	104	31	104	7	1
Countries with ICOs	4.29	4.58	4.40	3.83	4.26	.	4.40	4.31	3.98	4.75	4.50
Number of observations	52	52	52	52	52	.	52	13	52	4	5
Mean difference	0.32**	0.19	0.51***	0.22	0.32**	.	0.28***	0.21	0.18	-.32	0.50
P value	0.0114	0.1680	0.0002	0.1513	0.0137	.	0.0101	0.4253	0.2049	0.7158	.
Total average	4.08	4.45	4.06	3.68	4.05	.	4.22	4.16	3.86	4.55	4.58

Source: ARRI database. Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 2

**Average score of the PCRV/PPA data series. Countries with ICO two years before the project was completed**

	<i>Household income and assets</i>	<i>Food security and agricultural productivity</i>	<i>Environment and natural resource management</i>	<i>Human and social capital and empowerment</i>	<i>Institutions and policies</i>	<i>Project rural poverty Impact</i>	<i>Innovation and scaling up</i>	<i>Sustainability</i>	<i>Gender equality and women's empowerment</i>
Countries without ICOs	4.16	4.00	3.79	4.36	4.11	4.12	4.04	3.65	4.20
Number of observations	94	89	80	98	93	98	104	103	84
Countries with ICOs	4.42	4.28	3.89	4.47	4.10	4.34	4.40	3.92	4.53
Number of observations	50	47	38	51	49	50	52	52	43
Mean difference	0.26*	0.28*	0.11	0.11	-0.01	0.22*	0.37**	0.27**	0.33**
P value	0.0587	0.0737	0.5661	0.4696	0.9736	0.0707	0.0123	0.0447	0.0405
Total average	4.25	4.10	3.82	4.40	4.11	4.19	4.16	3.74	4.31

Source: ARRI database. Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

### With and without analysis of projects with a loan amount below or above the median amount

6. The analysis shows the average ratings separating the projects with and without ICO by their median project loan size. The median project loan size for projects with an ICO was US\$21.14 million and the median loan size of projects without an ICO was US\$11.5 million. The results are show in the tables below.

Table 3

Average score of the PCRV/PPA data series. Countries with ICO for two years or more before the project was completed disaggregated by projects with a loan amount below or above the median loan amount.

		<i>Project overall achievement</i>	<i>Project Performance</i>			<i>Average project performance</i>	<i>Partner Performance</i>		
			<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>		<i>IFAD</i>	<i>Cooperating institution</i>	<i>Government</i>
Projects loan size below the median	Without ICO	3.81	4.25	3.71	3.50	3.76	3.92	na	3.59
	Number of observations	52	52	52	51	51	52	na	52
	With ICO	4.15	4.50	4.31	3.58	4.12	4.38	na	3.88
	Number of observations	26	26	26	26	26	26	na	26
	Mean difference	0.34**	0.25	0.6***	0.08	0.36*	0.46***	na	0.29
	P value	0.0401	0.2254	0.0027	0.7008	0.0530	0.0059	na	0.1585
	Total	3.92	4.33	3.91	3.5	3.88	4.08	na	3.69
Projects loan size above the median	Without ICO	4.13	4.52	4.08	3.70	4.13	4.33	na	4.00
	Number of observations	51	52	52	51	51	52	na	52
	With ICO	4.42	4.65	4.50	4.08	4.40	4.42	na	4.07
	Number of observations	26	26	26	26	26	26	na	26
	Mean difference	0.29	0.13	0.42**	0.38	0.27	0.09	na	0.07
	P value	0.1174	0.4787	0.0242	0.1144	0.1173	0.5654	na	0.7032
	Total	4.23	4.56	4.22	3.83	4.225	4.36	na	4.02

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 4

**Average score of the PCRV/PPA data series. Countries with ICO for 2 years or more before the project was completed disaggregated by projects with a loan amount below or above their median**

		<i>Household income and assets</i>	<i>Food security and agricultural productivity</i>	<i>Environment and natural resource management</i>	<i>Human and social capital and empowerment</i>	<i>Institutions and policies</i>	<i>Project rural poverty impact</i>	<i>Overarching Factors</i>	<i>Innovation and scaling up</i>	<i>Sustainability</i>	<i>Gender equality and women's empowerment</i>
Projects loan size below the median	Without ICO	3.91	3.76	3.67	4.12	4.04	3.96		3.94	3.57	4.09
	Number of observations	47	47	37	50	46	49		52	51	44
	With ICO	4.34	4.40	4.12	4.50	4.16	4.32		4.31	3.81	4.43
	Number of observations	26	25	16.00	26	24	25		26	26	21
	Mean difference	0.43**	0.64***	0.45*	0.38*	0.12	0.36**		0.37**	0.24	0.34*
	P value	0.0353	0.0021	0.0739	0.0697	0.5795	0.0260		0.0500	0.1425	0.0953
	Total	4.07	3.98	3.81	4.25	4.08	4.08		4.06	3.65	4.2
Projects loan size above the median	Without ICO	4.40	4.26	3.88	4.60	4.17	4.27		4.13	4	4.33
	Number of observations	47	42	43	48	47	49		52	52	40
	With ICO	4.50	4.13	3.73	4.44	4.04	4.36		4.50	4	4.64
	Number of observations	24	22	22	25	25	25		26	26	22
	Mean difference	0.10	-0.13	-0.15	-0.16	-0.13	0.09		0.37	0	0.32
	P value	0.5981	0.5899	0.5602	0.4882	0.6023	0.6559		0.1061	0	0.2237
	Total	4.44	4.22	3.83	4.55	4.12	4.3		4.25	4	4.43

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

## Before and after analysis

Table 5  
Average evaluation scores for the PCRV/PPA/PE data series (before and after)

	<i>Project overall achievement</i>	<i>Project performance</i>	<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>	<i>Average project performance</i>	<i>Partner performance</i>	<i>IFAD</i>	<i>Cooperating institution</i>	<i>Government</i>	<i>NGO /Other</i>	<i>Co-financiers</i>
Before ICO	4.06		4.56	4.02	3.73	4.08		4.15	4.07	3.90	3.50	
Number of observations	48		48	48	48	47		48	15	48	4	0
After ICO	4.29		4.58	4.40	3.83	4.26		4.40	4.31	3.98	4.75	4.50
Number of observations	52		52	52	52	52		52	13	52	4	5
Mean difference	0.23		0.01	0.38**	0.10	0.18		0.26	0.24	0.08	1.25	4.50
P value	0.1400		0.925	0.0165	0.5987	0.2282		0.1046	0.4424	0.6321	na	na
Total	4.18		4.57	4.22	3.78	4.17		4.28	4.18	3.94	4.13	4.50

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 6  
Average evaluation scores for the PCRV/PPA/PE data series (before and after)

	<i>Household income and assets</i>	<i>Food security and agricultural productivity</i>	<i>Environment and natural resource management</i>	<i>Human and social capital and empowerment</i>	<i>Institutions and policies</i>	<i>Project rural poverty impact</i>	<i>Overarching factors</i>	<i>Innovation and scaling up</i>	<i>Sustainability</i>	<i>Gender equality and women's empowerment</i>
Before ICO	4.37	4.12	3.82	4.46	4.29	4.20		4.17	3.69	4.31
Number of observations	43	41	38	46	42	46		48	48	36
After ICO	4.42	4.28	3.89	4.47	4.10	4.34		4.40	3.92	4.53
Number of observations	50	47	38	51	49	50		52	52	43
Mean difference	0.05	0.15	0.08	0.01	-0.18	0.14		0.24	0.24	0.23
P value	0.7739	0.4351	0.2731	0.9357	0.3442	0.3202		0.1699	0.1425	0.2489
Total	4.40	4.20	3.86	4.46	4.19	4.27		4.29	3.81	4.43

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

## Country programme managers and country programme officers headed offices analysis

Table 7  
Average evaluation ratings of the PCRV/PPA/PE data series by ICO type

	<i>Project overall achievement</i>	<i>Project performance</i>	<i>Relevance</i>	<i>Effectiveness</i>	<i>Efficiency</i>	<i>Average project performance</i>	<i>Partner performance</i>	<i>IFAD</i>	<i>Cooperating institution</i>	<i>Government</i>	<i>NGO/ Other</i>	<i>Co-financiers</i>
Countries with ICOs headed by CPOs	4.30		4.62	4.40	3.79	4.26		4.40	4.25	4.02	4.75	4.50
Number of observations	47		47	47	47	47		47	12	47	4	5
Countries with ICOs headed by CPMs	4.20		4.20	4.40	4.20	4.26		4.40	5.00	3.60		
Number of observations <sup>a</sup>	5		5	5	5	5		5	1	5		
Mean difference	-0.10		-0.42	0.00	0.41	0.00		0.00	0.75	-0.42	-4.75	-4.50
P value	0.811		0.3399	0.9922	0.4545	0.9971		0.9876	na	0.361	na	na
Mean of Countries with ICO	4.29		4.58	4.40	3.83	4.26		4.40	4.31	3.98	4.75	4.50

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 8  
Average evaluation ratings of the PCRV/PPA/PE data series by ICO type. CPMs outposted for two or more years at the ICO

	<i>Household income and assets</i>	<i>Food security and agricultural productivity</i>	<i>Environment and natural resource management</i>	<i>Human and social capital and empowerment</i>	<i>Institutions and policies</i>	<i>Project rural poverty impact</i>	<i>Overarching factors</i>	<i>Innovation and scaling up</i>	<i>Sustainability</i>	<i>Gender equality and women's empowerment</i>
CPO-led ICO	4.41	4.27	3.91	4.46	4.11	4.33		4.38	3.94	4.56
Number of observations	46	44	35	46	44	46		47	47	39
CPM-led ICO	4.50	4.33	3.67	4.60	4.00	4.50		4.60	3.80	4.25
Number of observations <sup>a</sup>	4	3	3	5	5	4		5	5	4
Mean difference	0.09	0.06	-0.25	0.14	-0.11	0.17		0.22	-0.14	-0.31
P value	0.7918	0.8764	0.5546	0.7478	0.8491	0.6011		0.6971	0.7428	0.7059
Mean of Countries with ICO	4.42	4.28	3.89	4.47	4.10	4.34		4.40	3.92	4.53

Source: ARRI database. \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

<sup>a</sup> Given the small sample of evaluated projects that finished two years after the CPM was outposted (5), the small sample size limits the possibility of the t-test to show statistically significant results, this issue happened when comparing: CPO-led offices and CPM-led offices, and; CPM-led offices and projects with no ICO.

### Country programme evaluation ratings (2006 – 2015)

7. Using the ARRI database, the evaluation also assessed the performance of IFAD country programmes beyond the project level, using the assessments contained in CPEs. A total of 36 CPEs have been produced since 2006 based on a consistent methodology including the use of ratings, which allows for the aggregation of results across country programmes. For this analysis the “with ICO” case includes those countries in which the ICO was operational for at least four years before the CPE was completed.

Table 9  
CPE database for countries in with and without ICO

Score average	Relevance	Effectiveness	Efficiency	Overall project performance	Rural poverty impact	Sustainability	Innovations, replication and scaling up	Gender	Overall portfolio achievement	Performance of IFAD	Performance of Government	Performance of cooperating institutions
Countries without ICOs	4.28	3.89	3.67	3.89	4.11	3.56	3.83	3.91	3.83	3.94	3.83	3.78
Number of observations	18	18	18	18	18	18	18	11	18	18	18	9
Countries with ICOs	4.61	4.17	3.83	4.29	4.41	3.89	4.33	4.69	4.29	4.50	4.17	4.00
Number of observations	18	18	18	17	17	18	18	13	17	18	18	6
Mean difference	0.33*	0.28	0.17	0.4**	0.30	0.33*	0.5**	0.78***	0.46***	0.55***	0.33	0.22
P value	0.0726	0.1018	0.5025	0.0300	0.1127	0.0771	0.0108	0.0013	0.0091	0.0033	0.1151	0.1690
Total	4.44	4.03	3.75	4.08	4.26	3.72	4.08	4.33	4.06	4.22	4	3.87

Source: ARRI database, Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 10  
CPE database for countries in with and without ICO

Score average	Policy dialogue	Partnership building	Knowledge management	Overall NLA	COSOP relevance	COSOP effectiveness	COSOP performance
Countries without ICOs	3.33	3.78	3.78	3.72	3.82	3.54	3.75
Number of observations	18	18	18	18	17	13	16
Countries with ICOs	3.72	3.89	3.67	3.78	4.50	4.14	4.40
Number of observations	18	18	18	18	18	14	15
Mean difference	0.39	0.11	-0.11	0.06	0.68***	0.60***	0.65***
P value	0.1547	0.6177	0.6750	0.7684	0.0017	0.0063	0.0054
Total	3.53	3.83	3.72	3.75	4.17	3.85	4.06

Source: ARRI database. Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.



## Portfolio indicators

### Cofinancing

8. Cofinancing includes: domestic contributions from recipient governments, from beneficiaries, and international resources from bilateral and multilateral organizations. The levels of cofinancing are affected by many external factors and approvals vary greatly from year to year. The objective of this analysis was to test whether there was a trend or any relation between the level of cofinancing and the presence of an IFAD country Office. The analysis includes all IFAD investment projects approved from 2003 to 2015 (sample size: 427 projects). The “with ICO” case included projects approved in countries when ICOs were operational and in the case of CPM-led ICOs if the CPM was outposted before project approval. The before and after ICO analysis included projects in countries that were approved after the ICO became operational

Table 11  
Average financing of IFAD investment projects (2003-2015) with and without ICOs

	<i>Domestic</i>	<i>IFAD</i>	<i>International</i>
Without ICO	24%	58%	19%
Number of observations	270	270	270
With ICO	27%	59%	14%
Number of observations	157	157	157
Average difference	3%*	1%	-5%**
P value	0.0860	0.5699	0.0275
Total Average	25%	58%	17%

Source: Grants and Investment Projects System (GRIPS), Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 12  
Average financing of IFAD investment project, 2003-2015 for CPO and CPM led ICOs

	<i>Domestic</i>	<i>IFAD</i>	<i>International</i>
CPO-led	29%	59%	13%
Number of observations	121	121	121
CPM-led	21%	61%	19%
Number of observations	36	36	36
Average diff. CPM vs. CPO	-8%***	2%	6%
P value	0.0386	0.7246	0.2132
Total Average	27%	59%	14%

Source: Grants and Investment Projects System (GRIPS), Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 13

**Average financing of IFAD investment project, 2003-2015 before and after ICOs**

	<i>Domestic</i>	<i>IFAD</i>	<i>International</i>
Before ICO	20%	60%	19%
Number of observations	107	107	107
After ICO	27%	59%	14%
Number of observations	157	157	157
Average diff. after vs before	7%***	-1%	-6%*
P value	0.0013	0.6678	0.0525
Total average	25%	60%	16%

Source: Grants and Investment Projects System (GRIPS), Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 14

**Average financing of IFAD investment project, 2003-2015 for ICOs that were operational for five years before project approval**

	<i>Domestic</i>	<i>IFAD</i>	<i>International</i>
Without ICO	24%	58%	19%
Number of observations	270	270	270
ICO operational 5y+	29%	62%	8%
Number of observations	64	64	64
Average diff. ICO vs without ICO	6%*	5%	-10%***
P value	0.0770	0.1797	0.0003
Total Average	25%	58%	17%

Source: Grants and Investment Projects System (GRIPS), Note: \*\*\*, \*\* and \* denote significance at 1 per cent, 5 per cent, and 10 per cent level.

Table 15

**IFAD approved investment projects cofinanced by multilateral donors, 2003 – 2015 (US\$ million)**

	<i>ADB</i>	<i>AFDB</i>	<i>European Union</i>	<i>FAO</i>	<i>GEF</i>	<i>International Development Agency</i>	<i>Islamic Development Bank</i>	<i>OPEC Fund for International Development</i>	<i>WFP</i>	<i>UNDP</i>
With ICO	721	171	73	-	51	535	37	96	5	-
Without ICO	126	142	36	2	97	471	81	350	39	7
CPM led ICO	600	163	12	-	9	110	-	29	-	-
CPO led ICO	121	8	61	-	41	425	37	67	5	-
ICO operational for 5+y	-	93	28	-	31	110	15	10	-	-
ICO operational for 10+y	-	30	-	-	-	-	-	10	-	-
After the ICO	721	171	73	-	51	535	37	96	5	-
Before ICO	126	134	27	2	35	331	-	129	38	3
Total by Organization	847	313	110	2	147	1 005	119	447	44	7

Source: Grants and Investment Projects System (GRIPS).

## Policy dialogue

9. The policy dialogue analysis consisted in extracting data from the country-level policy engagement in IFAD, the 2016 Management review of policy engagement experience. As in the previous analysis, the data was divided by different criteria. The results are shown in the tables below.

Table 16

### With or without operational ICO after the COSOP was produced

	<i>COSOP policy dialogue articulation score</i>	<i>Per cent of projects in a country's portfolio in which the design document describes policy engagement</i>
Without ICO (countries where the ICO was established after the COSOP was produced)	2.58	50%
Number of observations	45	47
With ICO (countries where the ICO was established before the COSOP was produced)	2.16	52%
Number of observations	25	25
Mean difference	-0.42	2%
P value	0.1661	0.8023
Total average	2.4286	51%

Source: Country-level policy engagement in IFAD (2016).

### Project status reports (2015)

10. The PSR, prepared by IFAD's Management, are a key source of information on performance of ongoing projects. They are produced annually for all loan or DSF-funded investment projects and must be submitted for all projects that have been under implementation for more than six months. The PSR data used consists of all PSRs done in 2015. Out of the 445 PSRs revised, 237 had an operational ICO for two years or more before the PSR was conducted and 208 did not have an ICO or the ICO was not operational for two years. Given the length and the number of indicators, the tables below only show a selected number of indicators.

### With and without an ICO

Table 17

Project status reports (2015). Countries with ICO: when ICOs had been operational for two years or more before the PSR was conducted).

	<i>Gender focus</i>	<i>Poverty focus</i>	<i>Effectiveness of targeting approach</i>	<i>Innovation and learning</i>	<i>Climate and environment focus</i>	<i>Institution-building (organizations, etc.)</i>	<i>Empowerment</i>	<i>Quality of beneficiary participation</i>
Countries without ICOs	4.19	4.35	4.25	4.08	4.17	3.98	4.06	4.17
Number of observations	208	208	204	203	204	205	205	208
Countries with ICOs	4.42	4.45	4.38	4.18	4.12	4.03	4.21	4.32
Number of observations	240	240	239	235	236	237	237	240
Mean difference	0.23***	0.10*	0.13**	0.10	-0.05	0.05	0.15**	0.14**
P value	0.0006	0.0857	0.0307	0.1238	0.31	0.4313	0.0254	0.0217
Total	4.31	4.41	4.33	4.13	4.14	4.00	4.14	4.25

Source: PSR database. IOE CLE-Decentralization.

Table 18  
**Project status reports (2015). Countries with ICO: when the ICO had been operational for two years or more before the PSR was conducted.**

	<i>Responsiveness of service providers</i>	<i>Potential for scaling up and replication</i>	<i>Physical/financial assets</i>	<i>Food security</i>	<i>Likelihood of achieving the development objectives (section B3 and B4)</i>	<i>Quality of natural asset improvement and climate resilience</i>
Countries without ICOs	4.11	4.28	4.02	3.99	4.09	4.03
Number of observations	208	200	205	205	208	205
Countries with ICOs	4.11	4.31	4.07	4.12	4.12	4.04
Number of observations	240	236	235	235	240	235
Mean difference	0.00	0.03	0.05	0.14	0.03	0.01
P value	0.9752	0.6632	0.4628	0.0327**	0.5963	0.8137
Total	4.11	4.29	4.05	4.06	4.10	4.04

Source: PSR database. IOE CLE-Decentralization.

### Portfolio performance indicators

11. The analysis consisted in measuring a number of performance indicators to test differences for projects with an ICO (at project approval). The database included all IFAD projects approved from 2013 to 2015, the performance indicators were:
- Time difference (years): Measures the time difference from key project milestones: (i) project approval to entry into force; (ii) project approval to first disbursement; and (iii) entry into force to first disbursement.
  - Average number of extensions: Analysing the number of extensions for IFAD projects stated as: financially closed, projects completed and ongoing projects that already have extensions.
  - Average percent of time overrun: Including only the IFAD projects stated as: financially closed and/or projects completed. The percent of time overrun is calculated using the following formula

$$\%Time\ Overrun = \left( \frac{Current\ Completion\ Date - Date\ of\ Entry\ Into\ Force}{Original\ Completion\ Date - Date\ of\ Entry\ Into\ Force} \right) - 1$$

### Results

#### With and without an ICO

Table 19

Time lapse comparison between countries with and without an ICO at time of project approval

	<i>Time from: Investment Project Portfolio Approval to Entry into Force (years)</i>	<i>Time from: Investment Project Portfolio Approval to First Disbursement (years)</i>	<i>Time from: Entry into force to First Disbursement (years)</i>
Without ICO	0.90	1.63	0.71
Number of observations	395	367	364
With ICO	0.71	1.48	0.75
Number of observations	216	187	186
Mean difference	-0.19***	-0.15	0.04
P value	0.0013	0.1235	0.5603
Total	0.83	1.58	0.72

Source: Grants and Investment Project System.

## Before and after ICO

Table 20  
Time lapse comparison for countries before and after the establishment of the ICO

	<i>Time from: Investment Project Portfolio Approval to Entry into Force (years)</i>	<i>Time from: Investment Project Portfolio Approval to First Disbursement (years)</i>	<i>Time from: Entry into force to First Disbursement (years)</i>
Before ICO	0.91	1.62	0.70
Number of observations	152	151	151
After the ICO	0.71	1.48	0.75
Number of observations	219	187	187
Mean difference	-0.21**	-0.13	0.05
P value	0.0115	0.2502	0.5652
Total	0.79	1.54	0.73

Source: Grants and Investment Project System.

## CPM and CPO headed offices and projects with ICOs for a longer period of time

Table 21  
Time lapse comparison CPO-led and CPM-led offices at project approval

	<i>Time from: Investment Project Portfolio Approval to Entry into Force (years)</i>	<i>Time from: Investment Project Portfolio Approval to First Disbursement (years)</i>	<i>Time from: Entry into force to First Disbursement (years)</i>
CPO led ICO	0.77	1.62	0.81
Number of observations	170	153	152
CPM led ICO	0.48	0.88	0.44
Number of observations	46	34	34
Mean difference	-0.29***	-0.74***	-0.37***
P value	0.0002	0.00001	0.00001
Total	0.66	1.33	0.64

Source: Grants and Investment Project System.



Table 22

**Time lapse comparison of ICOs operational for longer period of time**

	<i>Time from: Investment Project Portfolio Approval to Entry into Force (years)</i>	<i>Time from: Investment Project Portfolio Approval to First Disbursement (years)</i>	<i>Time from: Entry into force to First Disbursement (years)</i>
ICO operational for 5+y	0.57	1.43	0.84
Number of observations	78	70	70
ICO operational for 10+y	0.38	1.01	0.63
Number of observations	20	18	18
CPM led office for 2+y	0.38	0.92	0.53
Number of observations	25	23	23
Average (with ICOs)	0.71	1.48	0.75
Number of observations	218	189	188

Source: Grants and Investment Project System.

### Withdrawal applications

12. The analysis compares the time difference in days from the withdrawal applications receipt to the value date, for all withdrawal applications processed in 2015 (sample size: 1,487). He with the ICO case included countries in which the ICO was operational for two or more years. CPM-led ICOs included countries in which the first CPM was outposted for two years or more before receiving the withdrawal application was submitted.

Definitions:

Withdrawal application receipt: The day the withdrawal application was received by IFAD.

Value date: Delivery date of funds traded.

Inherent risk: Determined to each project by the IFAD Finance Officer, based on international finance index and reports that rate the countries financial risk.

### Results

#### With and without an ICO

Table 23

#### Time lapse from withdrawal application receipt to value (days) by country risk rating

	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
Countries without ICOs	10.87	15.01	15.60	15.03
Number of observations	37	366	287	690
Countries with ICOs	8.79	15.41	17.66	16.16
Number of observations	43	360	394	797
Mean difference	-2.08*	0.40	2.06**	1.13**
P value	0.0947	0.5348	0.0048	0.0157
Total	9.75	15.21	16.79	15.64

Source: Flexcube.

Table 24

**Time lapse from withdrawal application receipt to value (days) by country risk rating for CPM and CPO-led ICOs**

	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
Countries with CPO	7.42	15.53	17.38	16.06
Number of observations	27	187	252	466
Countries with CPM	11.09	15.27	18.16	16.31
Number of observations	16	173	142	331
Mean difference	3.67**	-0.26	0.78	0.25
P value	0.0228	0.7687	0.3992	0.6940
Total	8.79	15.41	17.66	16.16

Source: Flexcube.

Table 25

**Time lapse from withdrawal application receipt to value (days) by country risk ratings when the ICO was operational for four years or more**

	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
Countries without ICOs	10.87	15.01	15.84	15.23
Number of observations	37	389	406	832
Countries with ICOs	8.79	15.44	18.20	16.16
Number of observations	43	337	275	655
Mean difference	-2.08*	0.43	2.36***	0.93**
P value	0.0947	0.4985	0.001	0.0456
Total	9.75	15.21	16.79	15.64

Source: Flexcube.

### Project duration

13. The analysis compares the time difference in years for all IFAD investment project approved from 2003 onwards, and completed/financially closed before 2016. The sample size consisted of 143 projects. Of those 22 were in countries in which the ICO was operational for the full project cycle. There were 57 completed projects for which the ICO was operational for two or more years before project completion.

Table 26

#### Project duration for projects that were approved and completed between 2003 and 2016 and the ICO was operational for the full project cycle (years)

	<i>Time from project approval to original completion</i>	<i>Time from project approval to current completion</i>	<i>Time from entry into force to original completion</i>	<i>Time from entry into force to current completion</i>	<i>Delay from original completion to current completion</i>
Without ICO	7.15	7.39	6.09	6.33	0.23
Number of observations	121	121	121	121	121
With ICO	6.86	6.97	5.77	5.88	0.11
Number of observations	22	22	22	22	22
Mean difference	-0.29	-0.42	-0.32	-0.45	-0.12
P value	0.5081	0.2461	0.3290	0.11	0.5267
Total	7.11	7.32	6.04	6.26	0.22

Source: Grants and Investment Project System.

Table 27

#### Project duration for projects that were approved and completed between 2003 and 2016 and the ICO was operational for two or more years before project completion (years)

	<i>Time from project approval to original completion</i>	<i>Time from project approval to current completion</i>	<i>Time from entry into force to original completion</i>	<i>Time from entry into force to current completion</i>	<i>Delay from original completion to current completion</i>
Without ICO	6.94	7.07	5.83	5.96	0.13
Number of observations	86	86	86	86	86
With ICO 2y+	7.37	7.71	6.37	6.71	0.34
Number of observations	57	57	57	57	57
Mean difference	0.43	0.64**	0.54**	0.75***	0.21
P value	0.5081	0.0211	0.0256	0.0023	0.1961
Total	7.11	7.32	6.04	6.26	0.21

Source: Grants and Investment Project System.

### The ongoing project portfolio and coverage by ICOs

14. The following tables show the ICO coverage of the active investment project portfolio and value of IFAD financing (US\$) by: (i) projects in countries with ICOs; (ii) projects covered through ICOs; and (iii) estimated number and value of projects that would be covered by all the approved ICOs.

Table 28

#### Number of ongoing project portfolio through ICOs\* (July 2016)

	<i>Number of ongoing projects</i>	<i>Per cent of projects (active portfolio) in countries currently with ICO</i>	<i>Per cent of projects (active portfolio) that would be covered by the 49 approved ICOs</i>
APR	65	80%	94%
ESA	44	75%	91%
LAC	35	37%	66%
NEN**	37	43%	57%
WCA	44	66%	95%
Total	225	64%	72%

Source: Grants and Investment Project System.

\*Ongoing project portfolio consists of: approved projects and projects available for disbursement.

\*\*Yemen ICO is considered as operational.

Table 29

#### Value of ongoing project portfolio coverage through ICOs\* (July 2016)

	<i>Total approved IFAD financing (US\$)</i>	<i>Per cent of the approved IFAD financing to projects in countries currently with ICO</i>	<i>Per cent of the approved IFAD financing that would be covered by the 49 approved ICOs</i>
APR	2 132 477 288	89%	96%
ESA	1 409 249 837	89%	93%
LAC	532 897 801	49%	55%
NEN**	803 309 217	55%	69%
WCA	1 230 155 296	80%	89%
Total	6 108 089 439	79%	87%

Source: Grants and Investment Project System.

\*Amounts include loans and DSF grants for investment projects (US\$).

\*\*Yemen ICO is considered as operational.

### Project status reports (2015) – subset portfolio operational indicators

15. The PSR data consists of all PSR produced in 2015. Out of the 445,237 PSRs were in countries in which an ICO had been operational for two years or more years before the PSR was produced and 208 did not have an ICO or the ICO was operational for less than two years. The below tables include the PSR scores of a set of operational indicators.

Table 30

#### PSRs, countries with ICO: when ICO were operational for two years or more before the PSR was produced

	<i>Effectiveness lag</i>	<i>Quality of financial management</i>	<i>Acceptable disbursement rate</i>	<i>Counterpart funds</i>	<i>Compliance with financing covenants</i>	<i>Compliance with procurement</i>	<i>Performance of M&amp;E</i>
Countries without ICOs	9.73	4.11	3.61	4.23	4.21	4.07	3.80
Number of observations	208	207	208	208	208	208	208
Countries with ICOs	10.55	3.98	3.34	4.15	4.19	4.00	3.95
Number of observations	237	240	240	240	240	240	240
Mean difference	0.82	-0.14	-0.26	-0.08	-0.02	-0.07	0.15
P value	0.3548	0.0448	0.0339	0.3514	0.7181	0.3185	0.0349
Total	10.17	4.04	3.46	4.19	4.20	4.03	3.88

Source: PSR database. IOE CLE-Decentralization.

Table 31

#### PSRs, countries with ICO: when ICO was operational for two years or more before the PSR was produced

	<i>Overall implementation progress</i>	<i>Quality of project management</i>	<i>Coherence between AWPB and implementation</i>	<i>Exit strategy (readiness and quality)</i>	<i>Quality and timeliness of audits</i>
Countries without ICOs	4.01	4.14	3.83	3.81	4.33
Number of observations	208	208	205	189	208
Countries with ICOs	4.06	4.09	3.79	3.92	4.16
Number of observations	240	240	240	221	240
Mean difference	0.04	-0.06	-0.04	0.11	-0.16
P value	0.4784	0.4232	0.5611	0.1261	0.0217
Total	4.04	4.11	3.81	3.87	4.24

Source: PSR database. IOE CLE-Decentralization.

### Comparison of advantages and disadvantages of different ICO modalities

16. **Background.** Four regional workshops were organized by IOE for the CLE Decentralization, covering all geographic regions where IFAD has operations. These regional workshops provided opportunities for the evaluation team to receive feedback on the perspectives of CPMs and programme assistants (both outposted and Rome-based), country programme officers, government representatives, project directors and other in-country stakeholders on the different models of ICOs, especially in the “World Cafés”.

### Comparison of different ICO modalities

Table 32

#### Model 1: No ICO

<i>Thematic area</i>	<i>Advantages<sup>a</sup></i>	<i>Disadvantages</i>
A. Project implementation and supervision support	<ol style="list-style-type: none"> <li>1. Project coordination more empowered-representation (contextual);</li> <li>2. Reduced risk of micromanagement</li> <li>3. Building national ownership and capacity;</li> <li>4. No expectations for core business allows(CPMs) to focus on projects</li> <li>5. More ownership in the government</li> <li>6. Wider variety of expertise through recruitment of short-term consultants</li> <li>7. IFAD missions get focused government's attention</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited knowledge of country context and the country culture;</li> <li>2. Limited implementation support to projects;</li> <li>3. Heavy workload on project managers to include representational roles;</li> <li>4. Delays in non-objections;</li> <li>5. Limited institutional memory due to turnover of project directors;</li> <li>6. Less support to project implementation</li> <li>7. Longer time for approvals (e.g. no-objection, withdrawal applications)</li> <li>8. No hand-holding on an ongoing basis</li> <li>9. Difficulty in communication (language and formality of communications with IFAD)</li> <li>10. Quality of supervision and implementation support is affected</li> <li>11. No dedicated attention to specific country issues</li> <li>12. Lack of regular follow-up</li> <li>13. Nobody to “coach” project teams</li> </ol>
B. Policy dialogue		<ol style="list-style-type: none"> <li>1. Less dialogue between the government and IFAD;</li> <li>2. Limited policy engagement</li> <li>3. Limited visibility/ representation;</li> <li>4. No constant dialogue that can help to negotiate new projects with the government.</li> </ol>
C. Partnership-building	<ol style="list-style-type: none"> <li>1. Allows government to be strengthened</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited engagement/ interaction with partners;</li> <li>2. Limited accountability to the partners /government;</li> <li>3. Lack of coordination between government and IFAD;</li> <li>4. Credibility with the government affected (due to limited knowledge of local reality);</li> <li>5. IFAD's development agenda /leadership in the sector is affected;</li> <li>6. IFAD is vulnerable to criticism by development partners and IFAD may be perceived as irrelevant.</li> </ol>

<i>Thematic area</i>	<i>Advantages<sup>a</sup></i>	<i>Disadvantages</i>
D. Knowledge management		1. Limited opportunities for the programs to learn and share lessons
E. Human resources and delegation of authority	<ol style="list-style-type: none"> <li>1. Skills developed/enhanced;</li> <li>2. More possibilities of career development and/or changing jobs inside the organization</li> </ol>	<ol style="list-style-type: none"> <li>1. High workload for CPM</li> <li>2. High consultancy costs to follow up with implementation support</li> <li>3. Limited flexibility in decision-making</li> <li>4. Slow decision making processes</li> </ol>
F. Administrative management	<ol style="list-style-type: none"> <li>1. Less time needed for some administrative internal processes given that they are in the same time zone and can do a stronger follow up</li> <li>2. Encourages use of IT for communication</li> <li>3. Less burden on IFAD administrative staff in Headquarters of IFAD</li> </ol>	<ol style="list-style-type: none"> <li>1. Increases administrative and logistical burden on government</li> </ol>
G. Cost	<ol style="list-style-type: none"> <li>1. No establishment cost for IFAD</li> <li>2. No administrative expenses for managing an office;</li> <li>3. Provides opportunity for IFAD to find creative solutions/cost effective alternatives</li> <li>4. If IFAD opts for budget support / basket funding, ICO not needed (particularly for small portfolio)</li> </ol>	<ol style="list-style-type: none"> <li>1. High supervision costs.</li> <li>2. Increase in travel costs and burden on CPM</li> </ol>
H. Others cross-cutting issues	<ol style="list-style-type: none"> <li>1. More engagement at corporate level, including CPM has more interaction between the other IFAD divisions</li> <li>2. Multi-country coverage (Headquarter-based CPM could cover more than one country)</li> </ol>	<ol style="list-style-type: none"> <li>1. Less focus on clients and more on IFAD headquarters</li> <li>2. Issue of communication due to language and time difference</li> <li>3. Not being present in some of the county key moments</li> <li>4. Less county-level engagement</li> </ol>

<sup>a</sup> It is highlighted in the regional workshop in Hanoi that these advantages depend on the country context and on the assumptions that projects are running smoothly. Some advantages are relevant to IFAD and some to governments.

Source: Regional Workshop 2016.



Table 33

**Model 2: ICO – led by national staff**

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
A. Project implementation and supervision support	<ol style="list-style-type: none"> <li>1. Good connection and contact with government and familiar with national procedure and policy. Providing updates of country context to headquarters</li> <li>2. Regular update of projects/COSOP and regular report to the Government and IFAD</li> <li>3. Local knowledge and language, enabling faster/easier communication</li> <li>4. Timely and better preparation of supervision and project support missions</li> <li>5. Proper support to visiting mission (country specific)</li> <li>6. Easy approval of non-objection (shorter delays)</li> <li>7. Timely follow-up of recommendation of supervision</li> <li>8. Better and easier identification of local consultants</li> <li>9. Contributions to COSOP and project design</li> <li>10. Builds confidence/trust among projects/government</li> <li>11. Continuity of portfolio and institutional memory</li> <li>12. Opportunities for better linkage with loans and grants</li> <li>13. Better environment for taking new initiative</li> </ol>	
B. Policy dialogue	<ol style="list-style-type: none"> <li>1. Network among donors (country specific), policy dialogue issues can be addressed</li> <li>2. Easier intervention and participation to policy formulation and dialogue</li> </ol>	<ol style="list-style-type: none"> <li>1. Exposure to pressure/political interference;</li> <li>2. No proper policy engagement</li> <li>3. Lack of access to services and support from different divisions in IFAD HQ (e.g. Office of the General Counsel, CFS)</li> <li>4. Country behaviour to international and national staff may be different</li> </ol>
C. Partnership building	<ol style="list-style-type: none"> <li>1. Ensure some country presence and visibility of IFAD</li> <li>2. Knowledge/network of government and vice versa</li> <li>3. Briefing with government/development partners on IFAD policy</li> <li>4. Liaison with government (informal/formal)</li> <li>5. Partnership with private sector/ institution</li> <li>6. Integration with cooperating groups and partners</li> </ol>	
D. Knowledge management	<ol style="list-style-type: none"> <li>1. Updated knowledge and understanding of IFAD procedures</li> </ol>	
E. Human resources and delegation of authority	<ol style="list-style-type: none"> <li>1. Stronger continuity of CPOs than CPMs</li> <li>2. The CPM helps to do IFAD internal procedures from headquarters while providing guidance and help to the CPO.</li> <li>3. More freedom (CPO/CPM dynamics for initiative)</li> </ol>	<ol style="list-style-type: none"> <li>1. High expectations / hierarchy / beyond terms of reference, responsibility/accountability. Mismatch between the job descriptions and regional tasks</li> <li>2. Frustrations-tasks vs commensurate (grade/status)</li> <li>3. Guidance / mentorship / backup limited</li> </ol>

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
		<ol style="list-style-type: none"> <li>4. Lack of clarity in rules for hauling a country programme assistant support</li> <li>5. Heavy workload for CPO</li> <li>6. Lack of career opportunities</li> <li>7. Limited delegation of authority (decision at the end is done by the CPM)</li> <li>8. Very little mobility capacity for the CPOs</li> <li>9. CPO led office leads to a situation of conflict of interest or conflict of allegiance for the CPO between government and IFAD</li> <li>10. Initial investment in training and professional development is missing</li> <li>11. When the CPO is the head of the office, clear terms of reference should be developed and disseminated to the Government</li> </ol>
F. Administrative management		<ol style="list-style-type: none"> <li>1. Lack of support at the country level. Responsible for all administrative functions on the office (Burden)</li> <li>2. Dangers that the country office is like a post office. Slow down all processing as it is an additional layer</li> </ol>
G. Cost	<ol style="list-style-type: none"> <li>1. Cost effective</li> <li>2. Low cost compared to CPM or sub regional offices.</li> <li>3. Lower cost, compared with the more complicated model (e.g. CPM-led model)</li> </ol>	<ol style="list-style-type: none"> <li>1. Less value for money</li> </ol>
H. Others cross-cutting issues	<ol style="list-style-type: none"> <li>1. Capacity building of CPO</li> <li>2. Good connection and cooperation with HQ through the CPM</li> <li>3. Possible exposure to the neighbouring countries</li> </ol>	<ol style="list-style-type: none"> <li>1. CPO being alone and overloaded/missed concurrent opportunities and tasks</li> <li>2. Resolving diplomatic issues</li> <li>3. Misunderstood by HQ and government (caught in-between)</li> <li>4. Potential conflict of interest given that the office is managed by a national officer</li> <li>5. CPO led office leads to a situation of conflict of interest or conflict of allegiance for the CPO between government and IFAD</li> <li>6. Lack of access to services and support from different divisions in IFAD headquarters (e.g. Office of the General Counsel, CFS)</li> <li>7. Lack of participation in decision making meetings for resources allocation and other strategic planning issues in headquarters</li> </ol>

Source: Regional Workshop 2016.

Table 34  
**Model 3 – ICO led by outposted CPM**

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
A. Project implementation and supervision support	<ol style="list-style-type: none"> <li>1. Improve the quality of project design</li> <li>2. Better programme implementation</li> <li>3. Proximity and alignment of IFAD with the country</li> <li>4. Continuous project follow up and Close follow up of project-at-risk</li> <li>5. Easy to take preventive action (Help solve small problems at an early stage, before the issues getting more seriously)</li> <li>6. Better crisis response, and more understanding or country interpretation</li> <li>7. Can identify and solve problems more quickly – speed up decision making process</li> <li>8. Greater alignment with COSOP with national priorities/policies</li> <li>9. CPMs can develop a better network of the local consultants and have better local knowledge</li> <li>10. Supporting value chain development and small scale business</li> </ol>	<ol style="list-style-type: none"> <li>1. Ownership by the government</li> <li>2. Less understanding of the country day to day situation</li> <li>3. Need for increased support from HQ (e.g. procurement, financial management)</li> <li>4. Language can be an issue</li> <li>5. Risk of “going native”. CPMs becoming more like government staff instead of IFAD staff</li> <li>6. CPMs may micro manage the work of project directors</li> </ol> <p>Note: Dependent on the quality of CPMs</p>
B. Policy dialogue	<ol style="list-style-type: none"> <li>1. Partnership with government/ private sector/ institution;</li> <li>2. Participation in policy dialogue by regular dialogue with government</li> <li>3. Accessibility from the government part</li> <li>4. Establishment of mutual accountability</li> <li>5. Greater alignment with COSOP with national priorities/policies</li> <li>6. Raise the profile of ICO at HQ and government</li> </ol>	
C. Partnership building	<ol style="list-style-type: none"> <li>1. Build partnerships between development partners (although this can also apply to the CPO-led model) and government partners</li> <li>2. Greater alignment with COSOP with national priorities/policies</li> <li>3. Raise the profile of ICO at HQ and government</li> </ol>	<ol style="list-style-type: none"> <li>1. High expectation from all partners</li> <li>2. Time spent “co-opted” by local duties - need for maturity and empowerment</li> </ol>
D. Knowledge management	<ol style="list-style-type: none"> <li>1. Knowledge management improves (learning &amp; sharing)</li> <li>2. Improved efficiency and increased coverage and in-depth of non-lending activities</li> </ol>	<ol style="list-style-type: none"> <li>1. Less possibilities for learning from other countries</li> </ol>
E. Human resources and delegation of authority	<ol style="list-style-type: none"> <li>1. Proximity for decision making=&gt; quick and easy</li> <li>2. Reduction of the workload of the ICO</li> <li>3. Faster decision making for operational matters</li> <li>4. Better division of labour between CPM/CD and CPO</li> </ol>	<ol style="list-style-type: none"> <li>1. CPO’s capacity is limited (in some cases)</li> <li>2. Micro management</li> <li>3. CPM serving other countries</li> <li>4. Time focus, the CPO and CPM may duplicate work load</li> <li>5. Little delegation of authority</li> <li>6. Need to have a standard job description for CPMs on duration parameters /sufficient incentives on disadvantaged countries/regions</li> <li>7. Notion of rotation has to be part of the model</li> </ol>

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
		8. Some CPMs not willing to be outposted (this is decreasing)
F. Cost		1. Can be more costly to outpost CPMs
G. Others cross-cutting issues	<ol style="list-style-type: none"> <li>1. Capacity-building CPO (ICO team)</li> <li>2. Client focused</li> <li>3. Better accountability</li> <li>4. More resources for ICO</li> <li>5. Visibility of IFAD</li> <li>6. Relevance of IFAD</li> <li>7. More country visibility</li> <li>8. Life quality, better work life balance</li> </ol>	<ol style="list-style-type: none"> <li>1. High pressure</li> <li>2. Corporate isolation</li> <li>3. Less capacity to follow up on corporative topics</li> <li>4. Les capacity to "sell" the country projects in HQ</li> <li>5. Better visibility for IFAD and proximity to partners Limited corporate-level engagement</li> <li>6. Higher (and sometimes unrealistic) expectations from partners</li> <li>7. Time spent "co-opted" by local duties - need for maturity and empowerment</li> <li>8. Current model not sustainable, given the current number of CPMs in IFAD (According to IFAD's policy, no more than 50 per cent could be outposted)</li> <li>9. IFAD needs to stop using the term "outposted"</li> </ol>

Source: Regional Workshop 2016.

Table 35

**Model 4: Sub-regional hub**

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
A. Project implementation and supervision support	<ol style="list-style-type: none"> <li>1. Facilitates the elaboration of projects through a better interaction between institutions</li> <li>1. Be able to have a critical mass of personnel dedicated to a specific region</li> <li>2. Allows for a faster capacity to act if there is any problem or issue with the projects</li> <li>3. If there is a critical mass the office can help to explore new markets, other target groups and other possibilities of cooperation and cofinancing</li> <li>4. Notion of rotation has to be part of the model</li> <li>5. Modality of working between HQ Programme Assistant and an outposted CPM can cause difficulties, due to time difference</li> <li>6. Some CPMs not willing to be outposted (this is decreasing)</li> <li>7. Decentralized budgeting improves the efficiency</li> <li>8. Can make collective planning for missions and activities to countries covered by the hub</li> <li>9. Timely support to countries that have an ICO as well as to those without</li> <li>10. Same level of support to all counties within the hub</li> </ol>	<ol style="list-style-type: none"> <li>1. The work load is divided among countries, not allowing a full focus on the hosted country</li> <li>2. Countries covered by the sub regional office may not get enough attention, for a sufficient IFAD country interaction</li> <li>3. If we have fewer CPMs: more time required for review and decision (e.g. no-objection)</li> <li>4. With fewer CPMs, reduced accountability of individual ICOs vs hub</li> </ol>
B. Policy dialogue	<ol style="list-style-type: none"> <li>1. Can provide support for sub regional policy dialogue interactions</li> </ol>	<ol style="list-style-type: none"> <li>1. If reducing number of CPMs, fewer chances for policy dialogue and partnership-building in member countries (e.g. sector working groups)</li> </ol>

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
C. Partnership building	1. Having a bigger number of CPMs and technical experts in one office allows for more active presence in the country, to share experiences and cooperation	1. There will be more tasks for CPOs (e.g. representation of IFAD, partnership-building) in addition to the “traditional” tasks of the CPO (e.g. project design, implementation, supervision)
D. Knowledge management	1. Allows for a vision beyond the country level, allowing to share experiences and knowledge at a sub-regional level 2. Helps for knowledge sharing and innovation at the sub regional level 3. Cross country learning/CPO and project teams can get international experience	
E. Human resources and delegation of authority	1. CPM/hub director receives more authority / power to make decision (e.g. decentralized planning, budgeting and contracting of consultants)	1. To have a sub-regional impact, the office should have enough technical, human and financial resources. Without enough personnel the office may not be considered functional 2. There is a need for clearer responsibilities and relationships among staff within the hub but also between ICOs, hub and headquarters (who supervises whom and who reports to whom?) 3. Also need a clearer division of labour between ICOs, hub and headquarters 4. Work overload if reducing number of CPMs based in the sub-regional hub
F. Cost	1. Reduces the cost, compared to having many country offices	
G. Others cross-cutting issues	1. The hub can support regional organizations (e.g. Association of Southeast Asian Nations, Greater Mekong Subregion) 2. Staff in the hub are less isolated	1. Sub regional offices raise a lot of expectations for offices that sometimes are composed of one person. One person is not an office 2. May cause issues in the region in terms of choosing the country for sub-regional office 3. If any sub regional conflict occurs the relationship might be affected given that the office is in a specific country

Source: Regional Workshop 2016.

Table 36

**Model 5: Regional office (the case of country office in Nairobi)**

<i>Thematic area</i>	<i>Advantages</i>	<i>Disadvantages</i>
A. Project implementation and supervision support	<ol style="list-style-type: none"> <li>1. Reducing work load in Rome</li> <li>2. Proximity to project area</li> </ol>	
B. Policy dialogue	<ol style="list-style-type: none"> <li>1. Policy dialogue, experience on local aspects. knowledge of best practices</li> </ol>	
C. Partnership building	<ol style="list-style-type: none"> <li>1. Established networks at country level</li> </ol>	
D. Knowledge management	<ol style="list-style-type: none"> <li>1. Enables information sharing within the region</li> </ol>	
E. Human resources and delegation of authority	<ol style="list-style-type: none"> <li>1. Posting into IRON (M&amp;E, Environment specialist)</li> </ol>	<ol style="list-style-type: none"> <li>1. Over stretched with demands from the region and HQ;</li> <li>2. Cross departmental Management of Human resources</li> <li>3. Heavy workload for country directors;</li> <li>4. Different reporting lines across divisions;</li> <li>5. Double structure (IFAD HQ and country office)</li> </ol>
F. Cost and financial management	<ol style="list-style-type: none"> <li>1. Reduced transaction cost</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishment cost</li> </ol>
G. Others cross-cutting issues	<ol style="list-style-type: none"> <li>1. Capacity-building/pool of competencies and expertise</li> <li>2. Linkages (easy outreach to neighbouring countries)</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited attention to other countries</li> <li>2. Language barrier</li> <li>3. Unclear definition of a regional office</li> </ol>

Source: Regional Workshop 2016.

## Evaluation electronic survey results

1. The methodology for the CLE on Decentralization included the design, implementation and analysis of an electronic survey. The objective was to receive feedback on the role and function of IFAD and its country offices. The survey was launched on 5 May 2016 using Survey Monkey and was closed on 29 June 2015. The total survey population included 1,987 people. Of these, 502 were: (i) IFAD Executive Board members, (ii) IFAD senior management and (iii) IFAD professional staff. The 1,485 non-IFAD people in the population included: (i) government counterparts, (ii) IFAD project managers, (iii) the in-country donor community and (iv) non-government national stakeholders.
2. To ensure a good response rate, several measures were taken, including: (i) translation of the questionnaires into IFAD's four official languages; (ii) personalization of communications; and (iii) several follow-ups. There were 1,184 responses, equivalent to a net response rate of 62 per cent.<sup>1</sup> There were 1,022 complete returns (324 for Executive Board Members and IFAD staff, and 698 for non-IFAD recipients) when the survey was closed in June (51 per cent response rate for completed questionnaires – 65 per cent for IFAD and 47 per cent for non-IFAD recipients). Owing to the large number of respondents, the survey results are robust.
3. **Data analysis.** Given the variety of respondents, the survey had some indicative questions which, depending on their answer, led respondents to specific questions that were directly relevant to them. This indicative set of questions also helped to categorize and disaggregate the results by the different groups of respondents. The results shown below are not disaggregated by all the sub-categories; rather they are only disaggregated by IFAD respondents and non-IFAD respondents.
4. Depending on the formulation of the survey questions, the rating scale can be interpreted in the following way: 1 = highly unsatisfactory/highly disagree; 2 = unsatisfactory/disagree; 3 = moderately unsatisfactory/moderately disagree; 4 = moderately satisfactory/moderately agree; 5 = satisfactory/agree; 6 = highly satisfactory/strongly agree. The disaggregation of key survey responses by the rating scale/level of agreement helps to display the survey results.
5. A statistical significance test was undertaken for key results<sup>2</sup> to determine whether differences were statistically significant for subgroups of respondents. Note that \*\*\*, \*\* and \* denote significance at the 1 per cent, 5 percent and 10 per cent levels.

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<sup>1</sup> Of the 1,987 invitations sent, 74 bounced or opted out. To calculate the response rate the evaluators only included the number of invitations received: 1,913. The American Association of Public Opinion Research states that errors of estimate cannot be calculated for surveys in which the respondents are self-selected because the statistical theory on which survey errors of estimate is based assumes random selection. Respondents for this survey were selected from among those who volunteered to participate in the CLE decentralization online surveys. The data were not weighted to reflect the demographic composition of the survey population. Since the responses were from those who self-selected for participation rather than a probability sample, no estimates of sampling error can be calculated. All sample surveys and polls may be subject to multiple sources of error, including, but not limited to, sampling error, coverage error and measurement error.

<sup>2</sup> Two-sample t-test for the equality of means. The statistical software used is STATA: Data Analysis and Statistical Software, version 13.

## E-survey selected questions and responses

Table 1  
How familiar are you with IFAD's activities and operations?

<i>Answer options</i>	<i>Percent (IFAD)</i>	<i>Percent (Not IFAD)</i>	<i>Percent (Total)</i>
Highly familiar	42.3%	10%	19.4%
Very familiar	30.2%	32%	30.5%
Familiar	23.8%	41%	35.5%
Some knowledge	3.7%	17%	12.3%
Very little knowledge	0.0%	0%	1.9%
No knowledge	0.0%	0%	0.3%

Source: IOE, CLE-Decentralization E-survey.

Table 2  
Please choose the option that best reflects your opinion to complete the following sentence: To focus effectively and efficiently on reducing rural poverty, IFAD should have:

<i>Answer options</i>	<i>Percent (IFAD)</i>	<i>Percent (Not IFAD)</i>	<i>Percent (Total)</i>
Offices in almost every borrowing country	7.4%	18%	15.0%
Offices in a large majority of borrowing countries	3.7%	10%	8.0%
Offices in all countries where it is justified by the size of the IFAD's programme	36.7%	44%	41.5%
Offices in selected borrowing countries that also cover nearby countries	38.3%	20%	26.1%
Only five large regional offices, one covering each region (APR, ESA, LAC, NEN and WCA)	12.3%	5%	7.4%
All staff based in IFAD's Rome Headquarters (i.e. no country offices)	0.6%	1%	0.6%
No opinion	0.9%	2%	1.5%

Table 3  
Do you agree or disagree that country offices strengthen IFAD's:

<i>Answer Options</i>	<i>Average (IFAD)</i>		<i>Average (Not IFAD)</i>	
Rating scale	1-3	4-6	1-3	4-6
Focus on rural poverty at the country level***	13%	87%	7%	93%
Focus on gender at the country level***	21%	79%	10%	90%
Focus on environment and natural resources management sustainability at the country level***	19%	81%	8%	92%
Promotion of national ownership and direction of IFAD's development assistance	8%	92%	7%	93%
Improving the results delivered by IFAD at the country level	8%	92%	5%	95%

Note: \*\*\*, \*\* and \* denote significant difference at 1 per cent, 5 per cent, and 10 per cent level.



Table 4

**Please indicate the level of priority that you would assign to the following potential functions of an IFAD country office:**

<i>Answer options</i>	<i>Average (IFAD)</i>	<i>Average (Not IFAD)</i>	<i>Average (Total)</i>
Country strategy and programme development***	5.2	5.08	5.1
Aligning IFAD's assistance with country development priorities	5.3	5.29	5.3
Identifying and designing good projects focused on reducing rural poverty	5.3	5.33	5.3
Strengthening IFAD's grant programme***	4.3	4.89	4.7
Project implementation support***	5.5	5.12	5.2
Government relations and partnership-building***	5.3	5.15	5.2
Partnership building with civil society***	4.9	4.73	4.8
Partnership building with the private sector*	4.9	4.75	4.8
Partnership building and coordination with international development partners working in the country (i.e., United Nations agencies; International Financial Institutions; bilateral donors)	5.0	5.04	5.0
Providing inputs for policy engagement to the government (policy dialogue) related to agriculture and rural development.	5.2	5.08	5.1
Developing and making available information (knowledge management)***	4.7	4.95	4.9
Contributing to the development of national capacity building (capacity-development)**	4.8	5.07	5.0
Following-up for sustainability and scaling up results	5.0	5.12	5.1
Resource mobilization and cost-sharing for IFAD projects***	4.7	4.90	4.8
IFAD representation	4.9	4.98	5.0

Note: \*\*\*, \*\* and \* denote significant difference at 1 per cent, 5 per cent, and 10 per cent level.

Table 5

**Please rate the overall performance of the IFAD country office that you are most familiar with?**

<i>Average (IFAD)</i>	<i>Average (Not IFAD)</i>	<i>Total</i>
4.88	4.87	4.87

Table 6

**Please indicate whether you agree or disagree with the following statements**

<i>Answer options</i>	<i>Average (IFAD)</i>		<i>Average (Not IFAD)</i>	
Rating scale	1-3	4-6	1-3	4-6
IFAD's country office has sufficient staff to deliver its mandate***	64%	36%	50%	50%
IFAD's country office has sufficient resources to deliver its mandate	54%	46%	38%	62%
IFAD's country office has sufficient expertise to deliver its mandate***	46%	54%	29%	71%

Note: \*\*\*, \*\* and \* denote significant difference at 1 per cent, 5 per cent, and 10 per cent level.

Table 7

**Please rate the performance of the IFAD Country Office that you are most familiar with in strengthening IFAD's:**

<i>Answer options</i>	<i>Average (IFAD)</i>	<i>Average (Not IFAD)</i>	<i>Average (Not IFAD) CPM-led ICOs</i>	<i>Average (Not IFAD) CPO-led ICOs</i>	<i>Average (total)</i>
Alignment of assistance with country development priorities <sup>o</sup>	5.0	5.01	5.1	5.0	5.0
Policy engagement related to agriculture and rural development***	4.5	4.9	4.9	4.9	4.7
Contribution to local donor coordination	4.4	4.5	4.6	4.4	4.4
Identification and design of good projects focussed on reducing rural poverty	4.9	5.0	5.1	5.0	5.0
Supporting IFAD's work related to gender	4.4	4.6	4.8	4.5	4.6
Supporting IFAD's work related to the environment and natural resources management***	4.3	4.7	4.8	4.7	4.6
Support for project implementation	5.0	4.9	5.0	5.0	5.0
Strengthening IFAD's grant programme***	4.1	4.7	4.9	4.6	4.5

Note: \*\*\*, \*\* and \* denote significant difference when comparing IFAD and non IFAD respondents and: and <sup>o</sup> denotes significance when comparing countries with CPM-led ICOs and CPO led ICOs at 1 per cent, 5 per cent, and 10 per cent level.

Table 8

**Please rate the performance of the IFAD country office that you are most familiar with**

<i>Answer options</i>	<i>Average (IFAD)</i>	<i>Average (Not IFAD)</i>	<i>Average (Not IFAD) CPM-led ICOs</i>	<i>Average (Not IFAD) CPO-led ICOs</i>	<i>Average (total)</i>
Identifying and resolving problems	4.7	4.8	4.9	4.8	4.8
Making decisions in a timely manner	4.6	4.6	4.7	4.7	4.6
Producing and disseminating useful knowledge products (e.g. seminars; publications)***	4.1	4.4	4.5	4.5	4.3
Contributing to local capacity development***	4.3	4.6	4.6	4.6	4.5
Fostering innovation**	4.2	4.5	4.6	4.5	4.4
Supporting sustainability and scaling up of projects**	4.5	4.7	4.8	4.7	4.6
Mobilizing financial resources from other organizations (cost-sharing and supplementary funding)** <sup>oo</sup>	4.2	4.4	4.6	4.3	4.3

Note: \*\*\*, \*\* and \* denote significance when comparing IFAD and non IFAD respondents; and <sup>oo</sup> denote significance when comparing countries with CPM-led ICOs and CPO led ICOs at 1 per cent, 5 per cent, and 10 per cent level.

Table 9  
Which type of organization best describes the one you belong to?

<i>Answer options</i>	<i>Percent (Not IFAD)</i>
IFAD project manager	6%
Government ministry or agency	40%
United Nations organization other than IFAD	12%
International financial institution	5%
Bilateral donor	6%
Non-government stakeholder (e.g. civil society organization; non-government organization; private sector)	18%
Other (please specify)	13%

\*Question for non IFAD staff.

Table 10  
For the country in which you work, do you agree or disagree that the presence of an IFAD country office

<i>Answer options</i>	<i>Percent (Not IFAD)</i>		
Rating scale	1-3	4	5-6
Improves the integration of IFAD into the existing United Nations country-level or sectoral coordination mechanism	4%	17%	79%
Significantly increases the amount of joint work between IFAD and United Nations agencies than would have been the case in the absence of a country office	12%	21%	67%
Significantly increases in-country collaboration between IFAD and the Rome Based Agencies (FAO and WFP) than is possible in the absence of a country office	8%	14%	78%

\*Question for United Nations organizations other than IFAD.

Table 11  
For the country in which you work do you agree or disagree that the presence of an IFAD country office

<i>Answer options</i>	<i>Percent (Not IFAD)</i>		
Rating scale	1-3	4	5-6
IFAD is well integrated into the country-level or sectoral/thematic donor coordination mechanisms	13%	31%	56%
IFAD staff regularly attend local donor coordination meetings and/or sectoral/thematic coordination meetings	17%	26%	57%
Our agency and IFAD jointly undertake policy dialogue with the government	27%	26%	47%

\*Question for International financing institutions and bilateral donors.

Table 12  
For the cofinanced projects or grants, how well does IFAD perform in joint

<i>Answer options</i>	<i>Average (Not IFAD)</i>
Identification, design and/or processing with your agency	4.85
Implementation supervision with your agency	4.75
Monitoring and evaluation with your agency	4.77

\*Question for International financing institutions and bilateral donors.

Table 13  
**How well does IFAD perform in terms of**

<i>Answer options</i>	<i>Average (Not IFAD)</i>
Reaching out to and consulting with non-government stakeholders	4.87
Involving non-government stakeholders in designing its operations	4.68
Involving non-government stakeholders in assessing the results and impact of its operations	4.62
Monitoring and evaluation of IFAD projects	4.99

\*Question for non-government stakeholders.

Table 14  
**For your cofinanced project or grant how well does IFAD perform?**

<i>Answer Options</i>	<i>Average (Not IFAD)</i>
Effectively supports your project office	5.15
Provides timely feedback and decisions	4.97
Actively helps your project office to raise and resolve issues with the government	5.00
Provides clear explanations and training about IFAD's policies and procedures	4.67
Helps to reduce IFAD's reporting requirements (e.g. makes reports more concise and easier to prepare)	4.79
Assists with project monitoring and reporting	4.76

\*Question for IFAD project managers.

Table 15  
**Does your country have an IFAD country office?**

<i>Answer options</i>	<i>Percent (IFAD)</i>	<i>Percent (Not IFAD)</i>
Yes		63%
No		37%

\*Question for government officials.

Table 16  
**Were you involved in IFAD's operations before the country office was established?**

<i>Answer options</i>	<i>Percent (Not IFAD)</i>
Yes	40%
No	60%

\*Question for government officials.

Table 17  
**Assess the change in IFAD's performance after the country office was established**

<i>Answer options</i>	<i>Percent (Not IFAD)</i>
Much worse after the office was established	2%
Worse after the office was established	0%
Somewhat worse after the office was established	2%
Somewhat better after the office was established	13%
Better after the office was established	37%
Much better after the office was established	30%
No knowledge/No opinion	15%

\*Question for government officials.

Table 18  
**Please rate the IFAD country office in your country in the following areas**

<i>Answer options</i>	<i>Average (Not IFAD)</i>
Adequacy of the scope and responsibilities of the office	4.93
Adequacy of the decision-making authority of the office	4.69
Enhancing national ownership and direction of development assistance	5.04
Decreasing the burden on government for formal and informal reporting to IFAD	4.93
Effectively managing the IFAD/government relationship	5.24

\*Question for government officials.

Table 19  
**Given the size and scale of IFAD's operations in your country, should IFAD establish a country office in your country?**

<i>Answer options</i>	<i>Percent (Not IFAD)</i>
Yes	61%
No	10%
Maybe	25%
No knowledge/No opinion	3%

\*Question for government officials.

Table 20

**Please rate the adequacy of IFAD's support to country offices in the following areas**

<i>Answer options</i>	<i>Average (IFAD)</i>
Delegated authority and decision making power for programmatic matters	4.1
Support provided by technical specialists based in Headquarters	4.3
Delegated authority and decision making power for administrative matters	3.9
Delegated budget holding authority	3.8
Supportive procurement and contracting system	3.9
Supportive system for processing withdrawal applications and disbursements	4.4
Supporting human resources management policies	3.8
Supporting administrative systems (e.g. travel authorization)	4.4
Supporting communications facilities (e.g. access to the internet telephones; video conferencing facilities)	4.6
Supporting external communications	4.2
Providing online access to IFAD's corporate systems	4.6
Facilities and support provided by the hosting agencies	3.9

\*Question for IFAD staff.

Table 21

**Are you an international staff or national officer?**

<i>Answer options</i>	<i>Percent (IFAD)</i>
International staff	77.9%
National staff	22.1%

\*Question for IFAD staff.

Table 22

**Do you agree or disagree that**

<i>Answer options</i>	<i>Average (IFAD)</i>		
Rating scale	1-3	4	5-6
An assignment in a country office is a challenging professional opportunity	6%	11%	83%
An assignment in a country office is a career-enhancing move	14%	19%	67%
There are sufficient incentives for international staff to consider seeking an assignment in a country office	44%	25%	31%
There are unresolved issues with staff reintegrating into headquarters after completing an assignment in a country office	10%	19%	71%

\*Question for IFAD international staff.

Table 23  
**Do you agree or disagree that**

<i>Answer options</i>	<i>Average (IFAD)</i>		
	1-3	4	5-6
IFAD's salary structure and benefits are competitive in the local market	27%	36%	37%
There are adequate opportunities for career development	37%	23%	40%
There are adequate training opportunities	32%	30%	38%
I feel part of the IFAD family	15%	15%	70%

\*Question for IFAD national staff.

Table 24  
**Approximately how many times a year do you meet with the following local stakeholders**

<i>Answer options</i>	<i>Average (IFAD)</i>			
	% meet once or more a week	% once or more time a month	% meet once or more times a year	% Never
Officials in central government ministries/agencies	10%	45%	43%	3%
Officials in local government ministries/agencies	5%	28%	65%	2%
Project officers for IFAD projects	24%	31%	44%	1%
Rome based United Nations agencies	1%	40%	53%	6%
Other United Nations agencies	1%	33%	61%	5%
Bilateral donors	0%	26%	66%	8%
International financial institutions	0%	20%	70%	10%
Non-government stakeholders	3%	28%	62%	7%
Private sector partners	2%	21%	68%	9%
Beneficiaries	4%	32%	61%	3%
Visit a project site	2%	30%	64%	4%

\*Question for CPMs and CPOs.

Table 25  
**Do you agree or disagree that there is a clear definition of the roles and responsibilities between the country office and headquarters and a matching definition of the delegated authorities and accountabilities for:**

<i>Answer options</i>	<i>Average (IFAD)</i>		
Rating scale	1-3	4	5-6
Substantive programmatic matters	24%	27%	49%
Administrative, financial and human resource authorities	35%	27%	38%

\*Question for IFAD staff and IFAD Executive Board Members.

Table 26  
Please rate IFAD's performance related to

<i>Answer options</i>	<i>Average (IFAD)</i>		
Rating scale	1-3	4	5-6
Country programme management decentralization (e.g. country strategy; programme implementation and supervision)	16%	28%	56%
Administrative decentralization necessary to effectively support the country offices (e.g. delegated decision-making; authority related to financial and human resource issues)	38%	32%	30%
Establishing a strong accountability system for country offices	39%	31%	30%
Developing coherence between IFAD's decentralization strategy and other major IFAD institutional reforms (e.g. assumption of direct supervision)	34%	29%	37%

\*Question for IFAD staff and IFAD Executive Board Members.

Table 27  
Please indicate whether you agree or disagree that IFAD

<i>Answer options</i>	<i>Average (IFAD)</i>		
Rating scale	1-3	4	5-6
Has too many country offices for small IFAD programmes	56%	19%	25%
Needs to cover more countries with country offices	36%	20%	44%
Has made substantial progress in decentralizing decision-making authority to country offices	20%	44%	36%
Remains a headquarter centred organization	24%	29%	47%
Has lost critical mass at Headquarters to carry out essential functions because of decentralization	70%	15%	15%
Has better knowledge of country contexts and needs because of decentralization	13%	20%	67%
Has struck the right balance in decentralization	48%	33%	19%

\*Question for IFAD staff and IFAD Executive Board Members.

Table 28  
Do you agree or disagree that going forward IFAD should

<i>Answer options</i>	<i>Average (IFAD)</i>		
Rating scale	1-3	4	5-6
Close some offices in countries with small programmes	30%	22%	48%
Transfer more staff from Rome to country offices	37%	25%	38%
Transfer more staff from Rome to sub-regional and/or regional offices	22%	28%	50%
Strengthen country offices by recruiting more local staff	10%	23%	67%
Transfer IFAD's regional directors from Rome to regional offices	52%	12%	36%
Transfer some technical specialists from Rome to regional offices	24%	22%	54%
Transfer some procurement specialists from Rome to regional offices	19%	22%	59%
Transfer some staff involved in processing withdrawal applications and making disbursements from Rome to regional offices	27%	21%	52%
Transfer administrative functions from Rome to a centre in a lower cost country	47%	16%	37%

\*Question for IFAD staff and IFAD Executive Board Members.



## IFAD country offices

### List of IFAD country offices

<i>Region</i>	<i>Approved (December 2015)</i>	<i>Actually established (November 2015)</i>	<i>Effective/operational (November 2015)</i>
APR	13	11	11
	Afghanistan	Bangladesh	Bangladesh
	Bangladesh	Cambodia	Cambodia
	Cambodia	China	China
	China	India	India
	India	Indonesia	Indonesia
	Indonesia	Lao PDR	Lao PDR
	Lao PDR	Nepal	Nepal
	Myanmar	Pakistan	Pakistan
	Nepal	Philippines	Philippines
	Pakistan	Sri Lanka	Sri Lanka
	Philippines	Viet Nam	Viet Nam
	Sri Lanka		
	Viet Nam		
ESA	10	9	9
	Burundi	Burundi	Burundi
	Ethiopia	Ethiopia	Ethiopia
	Kenya	Kenya	Kenya
	Madagascar	Madagascar	Madagascar
	Malawi	Mozambique	Mozambique
	Mozambique	Rwanda	Rwanda
	Rwanda	Uganda	Uganda
	Uganda	United Republic of Tanzania	United Republic of Tanzania
	United Republic of Tanzania	Zambia	Zambia
	Zambia		
LAC	7	6	5
	Bolivia (Plurinational State of)	Bolivia (Plurinational State of)	Bolivia (Plurinational State of)
	Brazil	Brazil	Brazil
	Colombia	Guatemala	Guatemala
	Guatemala	Haiti	Haiti
	Haiti	Panama (closed in 2013)	Peru
	Panama	Peru	
	Peru		
NEN	6	4	4
	Egypt	Egypt	Egypt
	Kyrgyzstan/Tajikistan	Morocco	Morocco
	Morocco	Sudan	Sudan
	Sudan	Yemen	Yemen
	Turkey		
	Yemen		

<i>Region</i>	<i>Approved (December 2015)</i>	<i>Actually established (November 2015)</i>	<i>Effective/operational (November 2015)</i>
WCA	14	11	11
Benin			
Burkina Faso		Burkina Faso	Burkina Faso
Cameroon		Cameroon	Cameroon
Chad		Côte d'Ivoire	Côte d'Ivoire
Côte d'Ivoire		Democratic Republic of the Congo	Democratic Republic of the Congo
Democratic Republic of the Congo		Ghana	Ghana
Ghana		Guinea	Guinea
Guinea		Mali	Mali
Liberia		Niger	Niger
Mali		Nigeria	Nigeria
Niger		Senegal	Senegal
Nigeria		Sierra Leone	Sierra Leone
Senegal			
Sierra Leone			
<b>Total</b>	<b>50</b>	<b>41</b>	<b>40</b>

Source: IFAD Country Presence Strategy (2014-2015) and data provided by Field Support Unit.

### Intended ICO indicators

<i>Indicator</i>	<i>Tracked - target</i>
Number of countries covered by country offices	Tracked
Number of IFAD-financed activities/projects scaled up by government or other donors	Tracked
Number of design missions in which country office staff participate	100%
Number of results-based COSOPs in which country office staff participate	100%
Number of supervision / implementation support missions in which country office staff participate	100%
Percentage of financing disbursed as a percentage of disbursable funds	Increase from 2010 average of 15%
Days between submission of withdrawal application and disbursement	Reduction from 2010 average
Project status report ratings for selected fiduciary aspects	Improvement from 2010 average
Cofinancing (domestic and external) as a percentage of total project cost	Tracked
Enhanced harmonization of IFAD programmes with other donors	Tracked - Client survey
Number of national forums at which IFAD is represented	Tracked
Enhanced alignment of IFAD programmes with national mechanisms and objectives in relation to rural poverty reduction	Tracked the Multilateral Organization Performance Assessment Network reports, client survey
Policy changes, as a result of IFAD interventions, that address rural poverty issues and changes	Tracked
Number of in-country Country Programme Management Teams [CPMTs]	At least one per year
Number of country offices approved	Reported - Executive Board approvals
Number of host country agreements signed	100% of country offices, by 2014

<i>Indicator</i>	<i>Tracked - target</i>
Period between note verbale sent and agreement signed	Tracked
Country office costs available – administrative and programmatic	Complete by end-2011
Number of international staff posted to country offices	Monitor

Source: Update on IFAD's Country Presence. EB 2016/117/R.4.

## Modelling exercise of alternative organization arrangements for regional divisions

1. The intention in modelling was to achieve staff cost-neutrality and if possible a saving while increasing efficiency and effectiveness. The modelling exercise only takes account of staff costs. Establishment costs are not covered. Some office rentals would cost more and some hub offices might need to transfer from their present locations. Some offices could downsize and there could be some savings. As the model would carry out more work in the regions, the travel costs may be neutral.
2. Most of the modelled divisional savings reflect an assumption of transfer of junior professional responsibilities in part to national professionals and a transfer of GS responsibilities to the field with a net increase in field GS staff and reduction at the headquarters.
3. In siting hubs, the following modelling criteria were considered:
  - The size of programme to be served, not just in the hub country but in the other countries being served from the hub;
  - The links by air to other countries in the hub and ICT connectivity;
  - The availability of well qualified national staff who can also serve other countries of the sub-region and share a common language;
  - The security situation and attractiveness of the duty station to international staff.
4. There was an assumption that there could be some flexibility of countries between regions. This did not lead to major changes but did, for example lead to an assumption of Eritrea being considered for servicing from Cairo where there is a daily air connection. Djibouti which has a daily short connection to Addis Ababa on the other hand was assumed as better served from there and Somalia from Nairobi (this would entail some reallocation of countries between current regional divisions). There was also an assumption that the currently envisaged hub structure could be modified with implications for Latin America and NEN. The model which emerged was one where:
  - Most hubs would be headed by a P5 CPM and staffed by a P3 or sometimes P4 international officer. They would also have a national professional responsible for the host country and usually one or more national professionals responsible for support to other countries of the sub-region. There would be adequate GS staff for sub-regional support on People Soft and entering of monitoring data and report finalization. In some cases a larger hub might provide some back-office support to a smaller one (e.g. Nairobi to Addis Ababa, Dakar to Kinshasa);
  - There would be some downsizing of ICOs in the sub-region although a few would still have P4 or P5 CPMs (the difference in country performance between ICOs headed by CPMs and those headed by CPOs is not as great as might be expected and the cost much less). The CPO headed ICOs would not always have GS staff and would be serviced from the hub;
  - The responsibility for managing and authorizing expenditures against the supervision and preparation budgets would be delegated to the Senior CPMs responsible for the countries of each hub. This envisages an indicative budget and allotment by country. A relatively small proportion of the budget would be retained at divisional level and at departmental level to facilitate the necessary flexibility between countries and regions as needs arise. Division Directors would also have the authority to recoup part of the indicative budget if there was major under-spending. The change from the present is that there would be full

clarity and authority to spend by country for senior CPMs heading hubs against agreed work programme up to the limit of the indicative budget.

- Headquarters divisions would be reorganized to support the decentralized structure with a senior country support team with two P5s and a front office. In APR, ESA and WCA there would be no countries managed from headquarters and in the case of LAC only a few Caribbean countries and for the immediate future the Southern Cone would be managed from Rome by the support team (the budgeted model includes the establishment of the Southern cone office). The structure of NEN at headquarters was not changed but a hub was established for the Russophone countries.
- This modelling exercise indicatively achieves an overall reduction in staff budgeted costs of US\$1.4 million with lower budgeted staff costs in headquarters of US\$5.5 million and increased budgeted staff costs in the field of US\$4.0 million (table 10). Some modest decrease of budgeted costs is achieved for two divisions (ESA, NEN), some modest increase for one division (LAC). More sizeable modelled reductions emerged in divisions which had staff concentrated in headquarters (APR, WCA). Most of the modelled divisional savings reflect an assumption of transfer of junior professional responsibilities in part to national professionals and a transfer of GS responsibilities to the field with a net increase in field GS staff and reduction at the headquarters.

Table 1

**Results of decentralization restructuring modelling exercise on budgeted staff costs**

	<i>Change in staff budget Headquarters (US\$)</i>	<i>Change in staff budget Field (US\$)</i>	<i>Net change in staff budgeted costs (US\$)</i>
APR	-1 789 053	+1 296 552	-492 501
ESA	-821 844	+758 599	-63 246
LAC	-1 267 396	+1 495 371	+227 975
NEN	-590 819	+464 038	-126 780
WCA	-1 001 330	145 658	-855 672
<b>Total</b>	<b>-5 470 442</b>	<b>+4 160 218</b>	<b>-1 310 224</b>

Source CLE modelling based on IFAD data.

Table 2  
**Modelling of a future scenario – With HQ support teams and hubs serving ICOs and countries**

<i>Region</i>	<i>Hubs and free standing CPM headed ICOs</i>	<i>Countries served in addition to hub country</i>
Asia and the Pacific <u>Headquarters structure:</u> <u>Front Office</u> Director 2- P5 Regional advisors; 1-P3 3 GS <u>ICO Support Team (also responsible for Iran and Rep Korea: 2 P5 2, 1-P4, 1-P3 2-GS)</u>	China: P5, P3, NOC, 2 NOA, 1 GS India Hub: P5, P4, NOD, 2 NOC, 2 GS Indonesia Hub: P5, P3, 1 NOD, 1NOB, 2GS Vietnam Hub: P5, P4, NOD, NOC, 2 GS	Countries without ICOs: DPR Korea; Mongolia Countries with ICOs: Afghanistan (NOC); Bangladesh (NOC); Nepal (NOC); Sri Lanka - Sri Lanka senior CPO responsible also for Maldives Countries without ICOs: Bhutan Countries with ICOs All Pacific Islands –Fiji (NOC); Countries without ICOs Malaysia, Timor L'Este Countries with ICOs: Cambodia (NOC); Laos (NOB); Myanmar (NOC); Countries without ICOs: Thailand Pakistan: P5; NOC, GS; Philippines P5; NOD, GS
East and Southern Africa: <u>Headquarters structure:</u> <u>Front Office</u> Director 2- P5 Regional advisors 1- P3 3-GS <u>ICO Support Team: 2 P5s 1-P3, 2-GS</u>	Kenya Hub Nairobi P5; P3; NOC Kenya; 2 NOC/NOD sub-region Ethiopia Hub Addis Ababa: P5; P3; NOC Ethiopia NOC/NOD sub-region Southern Africa Hub: Pretoria, south Africa	Countries with ICOs: Burundi (NOC); Madagascar (NOC); Rwanda (NOC); Uganda P4; Tanzania P5; Counties without ICO: South Sudan; Somalia; Comoros Countries served – no ICOs: Djibouti; Seychelles Countries with ICOs: Mozambique P4; Zambia P4; Malawi NOC; Possible future NOC Zimbabwe Countries without ICOs: Angola; Botswana; Lesotho; Namibia; Swaziland
West and Central Africa <u>Headquarters structure:</u> <u>Front Office</u> Director 2- P5 Regional advisors 1- P3 3-GS <u>ICO Support Team: 2 P5s, 1 P4, 1-P3, 2-GS</u>	Cameroon Yaoundé Hub: P5, P3, NOC, 2 GS DR Congo – mini hub (help from Dakar transaction processing) P5, NOC, 1 GS Cote d'Ivoire Abidjan Hub: P5, NOC, 2 GS Ghana Accra Hub: P5, NOC, 2 GS Senegal Dakar Hub: P5, P4, NOD, 3 GS	Countries with ICOs Chad (NOC); Countries without ICOs Central African Rep, Equatorial Guinea, Gabon Countries served Congo NOC Countries with ICOs Benin (NOC) Burkina Faso (NOC); Niger (NOC); Togo (NOC) Countries without ICOs Countries with ICOs: Nigeria with CPM; Sierra Leone (NOC) Countries without ICOs: Liberia; San Tome e Principe Countries with ICOs: Guinea (NOC), Mali (NOC) Countries without ICOs: Cabo Verde, Gambia, Guinea Bissau
Latin America and the Caribbean <u>Headquarters structure:</u> <u>Front Office</u> Director 2- P5 Regional advisors 1- P2 3-GS <u>ICO Support Team and English speaking Caribbean: 1-P5, 1 P4, 3 GS</u> <u>ICO Support Team: 2 P5s, 1P3, 2 GS</u>	Central America Hub Managua, Nicaragua P5; P3; NOC Nicaragua; 2 NOC/NOD sub-region Andean Hub Lima, Peru: P5; P3; NOC Peru; 2 NOC/NOD sub-region Countries not served by a hub except for help on transaction processing Possible future hub if programme grows – Buenos Aires P5, NOC/NOD	Countries with ICOs: Guatemala (NOC), El Salvador (NOC), Countries without ICOs: Belize, Costa Rica, Cuba, Dominican Republic, Guyana, Honduras, Mexico, Panama Countries with ICOs Bolivia NOC, Colombia (NOC), Ecuador (NOC) Countries without ICOs : Venezuela Brazil – Brasilia P5; Salvador de Bahia NOC also serving Suriname Haiti P4 Countries served – no ICOs Chile, Paraguay, Uruguay

<i>Region</i>	<i>Hubs and free standing CPM headed ICOs</i>	<i>Countries served in addition to hub country</i>
Near East, North Africa, Central Asia and Europe	NEN model does not restructure Headquarters and in addition to the budgeted ICO in Turkey, establishes a hub in Bishkek, Tajikistan to serve the central Asian Russophone countries (headquarters is reduced by 1 P5, 1 P3, and 2 senior GS. Bishkek is staffed with 1 P5, 1 P3, 1 NOC and 2 GS. The CPM headed ICO in Cairo is envisaged as taking responsibility for Eritrea to which there is a daily flight connection and might take some responsibilities for Sudan to which it also has a daily short flight connection. Somalia would be handled from Nairobi and Djibouti from Addis Ababa.	

Source: CLE modelling based on IFAD data.

NOD = National Officer D grade; NOC = National Officer C grade; NOB = National Officer B grade; NOA = National Officer A grade.

Table 3  
Post change summary

	<i>Change in HQ number of posts HQ</i>	<i>Change in number of Posts Field</i>	<i>Net Change in Total number of Posts Region</i>	<i>Change in HQ number of posts HQ</i>	<i>Change in number of Posts Field</i>	<i>Net Change in Total number of Posts Region</i>
APR	0-D1	0 D1	0 D1	ESA	0-D1	0-D1
	-2 P5	+2-P5	0-P5	1- P5	-1-P5	0-P5
	-2 P4	+2-P4	0P4	-1 P4	+1 P4	0-P4
	- 2 P3	+2-P3	0-P3	-1P3	+2-P3	+1-P3
	-1 P2	0-P2	-1	-1 P2	-1-P2	-2-P2
		+4-NOD	+4-NOD		+3-NOD	+3-NOD
		-1-NOC	-1-NOC		+4-NOC	+4-NOC
		0-NOB	0-NOB		0-NOB	0-NOB
		-3-NOA	-3-NOA			
	-2 G6	0-G6	-2-G6	-1G6	0-G6	-1G6
	0 G5	0-G5	0-G5	-3G5	-1-G5	-4G5
	-4 G4	+2-G4	-2-G4	-1G4	+3-G4	+2-G4
	0 G3	+4-G3	+4-G3	-1G3	0-G3	-1G3
LAC	0-D1	0-D1	0-D1	NEN	0-D1	0-D1
	-2 P5	+2-P5	+0-P5	-1 P5	+1-P5	0-P5
	0-P4	-2-P4	-2-P4	0-P4	0-P4	0-P4
	-2- P3	+2-P3	0-P3	-1- P3	+1-P3	0-P3
	-2-P2	0	-2-P2	0-P2	0-P2	0-P2
		+3-NOD	+3-NOD		0-NOD	0-NOD
		+8-NOC	+8-NOC		+2-NOC	+2-NOC
		-1-NOB	-1-NOB		0-NOB	0-NOB
		-0-NOA	0-NOA		0-NOA	0-NOA
	0 -G6	0-G6	0-G6	-1 -G6	0-G6	-1-G6
	-1-G5	0-G5	0-G5	-1-G5	0-G5	-1-G5
	-1-G4	+1-G4	+1-G4	0-G4	+1-G4	+1-G4
	0 G3	+3-G3	+3-G3	0-G3	+1-G3	+1-G3
WCA	0-D1	0-D1	0-D1	Grand total	0-D1	0-D1

## Annex VII

<i>Change in HQ number of posts HQ</i>	<i>Change in number of Posts Field</i>	<i>Net Change in Total number of Posts Region</i>	<i>Change in HQ number of posts HQ</i>	<i>Change in number of Posts Field</i>	<i>Net Change in Total number of Posts Region</i>
+1-P5	+1P5	+2P-5	-3-P5	+7-P5	+4-P5
-1-P4	0	-1 P4	-4-P4	+3-P4	-1-P4
0-P3	-1P3	-1P3	-6-P3	+6-P3	0-P3
-3-P2	-2P2	-5P2	-6-P2	-3-P2	-9-P2
	+1NOD	+1NOD		+11-NOD	+11-NOD
	+4NOC	+4NOC		+17-NOC	+17-NOC
				0-NOB	0-NOB
-3-G6	-1G6	-4G6		-3-NOA	-3-NOA
-3-G5	+3G4/G5	0 G5	-7-G6	-1G-6	-8-G6
0 G4	+3G3	+3G3	-15-G3/G5	+21-G3/G5	+6-G3/G5

Source: CLE modelling.

NOD = National Officer D grade; NOC = National Officer C grade; NOB = National Officer B grade; NOA = National Officer A grade.



## **Report of the senior independent adviser, Richard Manning**

1. I was retained by the Independent Office of Evaluation of IFAD (IOE) to act as a senior independent adviser for the corporate-level evaluation on IFAD's Decentralization Experience.

### **Activities**

2. My first task was to review the Approach Paper. I found this in the main to be well-constructed. My comments were mainly to ensure that the approach to the CLE did not contain any assumption that decentralization was necessarily an appropriate policy for IFAD and so risk skewing the findings. I appreciated that the Board had given consistent support to decentralization over a long period, but it is important that an evaluation looks at the evidence without presuppositions.
3. In September, I then reviewed the emerging draft report. Again, I was encouraged by its quality. Although I gave the Evaluation Department quite a number of comments on the draft, which were substantially accepted, I found it logically constructed, demonstrating an impressive search for relevant evidence and with findings and conclusions that appeared very reasonable in the light of that evidence. The final version has the same virtues, now with a number of improvements of detail.

### **Comments on methodology**

4. It is necessarily difficult to construct unarguable conclusions from an evaluation in the absence of a fully-robust counterfactual. In this case, such a counterfactual is not available, since one cannot test decentralization and its absence in the same population of countries over the same period. The methodology used by the CLE, while comparing performance and cost in decentralized and centralized situations in different countries or in different time periods, therefore buttresses the results of that analysis with the use of surveys of staff and (importantly) of host country governments and other stakeholders, including through regional workshops and interviews with key informants. I support this diversified approach, which provides a form of triangulation that strengthens the findings from the comparative analysis.

### **Comments on findings and conclusions**

5. As I have said above, the findings and conclusions seem to me to follow directly from the evidence. It is perhaps useful for me to add to that brief judgement some points from my own direct experience in decentralization in Department for International Development and its predecessor agencies in the 1990s and the early years of this century, and from observing other agencies, both those that have embraced decentralization (from the World Bank to Japan International Cooperation Agency) and those that have kept to a model without a direct country presence (such as Global Alliance for Vaccines and Immunization and the Global Fund for AIDS, TB and Malaria).
6. The finding that some assumptions about the decentralization process were not realistic chimes with the experience of at least some other agencies. Cost neutrality is a tough target, and some cost increase may indeed be justified if effectiveness increases more than proportionately. In fact, in IFAD's case, costs were seemingly quite well controlled overall. And while a degree of experimentation with alternative country presence modalities may well be a sound policy, it should certainly lead to a clear standardized corporate approach sooner rather than later. In the DFID (Department for International Development) and its predecessors, the necessity of reforming the roles and responsibilities of HQ was, after a fair amount of trial and error, fully recognized; and I consider the need for this an important finding of the CLE.

7. It is on the other hand very encouraging that there seems to be a wider recognition by staff of the value of decentralization. In my experience, this is a good test of whether the process is seen to be delivering results.
8. It is encouraging, but not at all surprising, to see that decentralization appears to have contributed to improved operational performance, whether of COSOPs, of project implementation support or of project effectiveness.
9. I welcome the frank recognition of the three caveats which apply to all the judgements on outcomes and development results:
  - many factors other than the work of ICOs influence project performance;
  - there are few projects that were identified, designed, approved, implemented and evaluated after an ICO was established;
  - the establishment of country offices was not assigned randomly and it cannot be assumed that countries with and without ICOs share the same salient characteristics.
10. As noted above, the CLE has done well in triangulating evidence from several different sources in order to take account of these limitations.
11. I would just note that some care is needed in interpreting the word 'significant', much used in the assessment of effectiveness. The report does an excellent job of highlighting which differences are statistically significant, which is a robust and widely accepted measure. How far improvements are to be seen as 'significant' in terms, say, of percentage increase in outcomes, is however a matter of judgement. For example, while the report finds that 'Average project performance ratings were significantly [in the statistical sense] higher with ICOs', the fact that the rating rises from 3.95 to 4.26 on a five-point scale (i.e., about 5 per cent) might or might not be seen as a 'significant' increase. Of course, if IFAD were to see really transformative increases in project outcomes from decentralization, that would probably suggest that the HQ-based system was seriously dysfunctional, which is unlikely to have been the case. To find, as the report does, useful but moderate percentage improvement in many outcomes is to my knowledge fairly typical of decentralization also in other agencies.
12. The report seems to me to do a good job of explaining why the impact of country presence was notable in the case of partnership-building but more limited for knowledge management and policy dialogue.
13. The assessment of IFAD's contribution to development results seems very fair. Again, the limitations above apply, and some (but not all) of the statistically significant improvements are again quite modest.
14. I was interested to read the comments on differences between country offices led by international and by national staff, which turned out to be quite minor. Most agencies place international staff at the head of most offices, while also drawing heavily on the skills and experience of national staff. I fully support, from my own experience, the positive comments about the role that national staff can be encouraged to play, within an appropriate framework set either by HQ or by locally or regionally-posted international staff.
15. The analysis of efficiency shows that, overall, costs of decentralization have been well controlled, though not fully cost-neutral. The report has done good service in trying to bring together cost data in a way that permits useful analysis, and is right to express concerns about how well the costs have been monitored (a conclusion that is not unique to IFAD). I also welcome the encouragement to explore some readjustment of headquarters functions and staff as an avenue to provide more resources to the country offices and to reap efficiency gains. It should however be borne in mind that in some areas there may be a need for some selective

strengthening of HQ functions. For example, there may be a need to strengthen internal audit particularly where financial responsibilities are delegated, as may well be desirable.

16. The analysis of the costs of the various models is thought-provoking. My experience would support the exploration of sub-regional approaches where the size of individual country programmes is modest (as often the case for IFAD), and also the caution about unrestricted expansion of country presence.
17. I welcome the attention given in the report to human resources aspects, which are always an important issue in structural change. Based on my own experience, I particularly welcome the proposals to invest in national staff and to consider their career progression, and to manage sensitively but firmly any necessary shrinkage of some categories of HQ staff.
18. The conclusions and recommendations seem to me to follow well from the analysis.

**Conclusion**

19. I commend the report to readers as well-designed, well-written and strongly evidence-based. I should add that it is very much to the credit of the team that this complex evaluation has been completed so quickly.

## List of key persons met

### IFAD

Kanayo F. Nwanze, President  
Michel Mordasini, Vice President  
Lakshmi Menon, Associate Vice-President, Corporate Services Department  
Périn Saint Ange, Associate Vice-President, PMD  
Josefina Stubbs, Associate Vice-President, SKD  
Henock Kifle, Associate Vice President and Chief of Staff, Office of the President and Vice-President  
Rasit Pertev, former Secretary of IFAD  
Saheed Adegbite, Director, Office of Budget and Organizational Development  
Margarita Astralaga, Director, ECD  
Thomas Bousios, Director, Information and Communications Technology Division  
Khalida Bouzar, Director, NEN  
Adolfo Brizzi, Director, PTA  
Ides De Willebois, Director, WCA  
Ruth Farrant, Director, Financial Management Division, CFS  
Sana Jatta, Director, ESA  
Luis Jimenez-Mcinnis, Director, PRM  
Joaquin Lozano, Director, LAC  
Matthias Meyerhans, Director, Administrative Services Division (ADM)  
Pierre Moreau-Peron, Director, Human Resources Division  
Ashwani Muthoo, Director, GER  
Adam Ahmed Mohamed Abdelgadir, Country Programme Manager, NEN  
Hanafi Abdelhaq, Country Programme Manager, NEN  
Moses Abukari, Country Programme Manager, WCA  
Valantine Achancho, Programme Officer, ESA  
Adenike Ajagunna, Programme Assistant, LAC  
Caroline Alupo, Regional Finance Officer, CFS  
Yolando Arban, Country Programme Officer, APR  
Sylvie Arnoux, Senior Legal Officer, Office of the General Counsel  
Vivian Azore, Country Programme Assistant, APR  
Gisella Barbieri, Administrative Associate, LAC  
Kaushik Barua, Programme Officer, NEN  
Frew Behabtu Bedasso, Country Programme Officer, ESA  
Valentina Berardini, Administrative Services Analyst (Records Management), ADM  
Willem Wefers Bettink, Lead Partnership and Resource Mobilization Manager, PRM

Roman Bezuszeko, Technical Support Assistant, Information and Communications  
Technology Division

Caroline Bidault, Country Programme Manager, LAC

Nigel Brett, Portfolio Advisor, APR

Sara Bridges, Portfolio Analyst, PMD

Rocio Chirinos, Programme Assistant, LAC

Daniela Cirillo, Administrative Assistant, ESA

Duygu Celik, Organizational Development Officer, Office of Budget and Organizational  
Development

Kevin Cleaver, former Associate Vice-President, PMD

Ludovic Pascal Conditamde, Country Programme Officer, WCA

Robert Creswell, Loans and Grants Manager, CFS

May David, Administrative Assistant, NEN

Rocio Del Pilar, Programme Assistant, LAC

Yvonne Diethelm, Programme Assistant, APR

Han Ulac Demirag, Country Programme Manager, ESA

Paola di Stefano, Programme Assistant, NEN

Khalid El Harizi, former Advisor, PMD

Hani Elsadani, Head of IRON and Country Director Kenya, ESA

Khadidja Doucoure, Regional Gender Coordinator, WCA

Antonella Favia, Senior Administrative Officer, FSU

Kelly Feenan, Costumer Services Administrator, Information and Communications  
Technology Division

Glayson Ferrari Dos Santos, Country Programme Manager, LAC

Mirka Ferrise, Administrative Assistant, LAC

Ilaria Firmian, Environment and Climate Knowledge Officer, ECD

Daniela Frau, System and Data Officer, CFS

Edward Gallagher, Senior Budget Specialist, Office of Budget and Organizational  
Development

Klarisse Guerra, Programme Assistant, LAC

Christian Hakiba, Programme officer, ESA

David Hatcher, Senior Finance Specialist, CFS

James Heer, Broadcast Communication Manager, COM

Edward Heinemann, Lead Technical Specialist, PTA

Magaly Luisa Herrera, Programme Assistant, LAC

Sandrine Jacqueson, Programme Assistant, NEN

Vrej Jijyan, Programme Officer, NEN

Mwatima Juma, Country Programme Officer, ESA

Mariatu Kamara, Country Programme Officer, WCA

Mikael Kauttu, Programme Officer, NEN

Laureta Kazanxhiu, Accounting Officer, CFS  
Liu Ke, Associate Country Programme Officer, APR  
Sennai Kebedom, Administrative Associate, NEN  
Paula Kim, Senior Operation Adviser, FSU  
Sara Kouakou, Portfolio Officer, PMD  
Theophilus Larbi, Country Programme Officer, WCA  
Jessica Lattughi, Budget Associate, APR  
Shahin Lauritzen, former Associate Vice President, FOD  
Harold Liversage, Lead Technical Specialist, PTA  
Annabelle Celine Lhommeau, Country Programme Manager, NEN  
Sandro Luzzietti, Procurement Manager, ADM  
Elisa Mandelli, Junior Professional Officer, PTA  
Mia Madsen, Junior Professional Officer, NEN  
Helen Maree Gillman, Senior Knowledge Management Specialist, SKD  
Alessandro Marini, Country Programme Manager, ESA  
Lisandro Martin, Lead Programme Manager, PMD  
Isabella Mazzarella, Programme Assistant, NEN  
Sakphouseth Meng, Country Programme Officer, APR  
Sarah Mirmotahari, Human Resources Officer, FSU  
Meera Mishra, Country Programme Officer, APR  
Anna Ramona Mongibello, Operations Analyst, FSU  
Lakshmi Moola, Country Programme Manager, APR  
Pontian Muhwezi, Country Programme Officer, ESA  
Bernadette Mukonyora, Programme Analyst, ESA  
Nerina Muzurovic, Knowledge Management Officer, NEN  
Joseph Nganga, Country Programme Officer, ESA  
Karine Nikiema, Country Programme Assistant, WCA  
Marcelin Norvilus, Country Programme Officer, LAC  
Khanh Nguyen, Country Programme Assistant, APR  
Hoai Thu Nguyen, Associate Country Officer, APR  
Thanh Tung Nguyen, Country Programme Officer, APR  
Luyaku Nsim pasi, Country Programme Manager, WCA  
Aimable Ntukanyagwe, Country Programme Officer, ESA  
Rasha Omar, Country Director for India, APR  
Willy Ong, Application Service Administrator, Information and Communications  
Technology Division  
Soulivanh Pattivong, Country Programme Officer, APR  
Soulivanh Pattivong, Country Programme Officer, APR  
Henning Pedersen, Country Programme Manager and Country Director Hanoi Hub, APR

Lauren Phillips, Senior Technical Specialist, PTA  
Francisco Pichon, Country Programme Manager, ESA  
Laura Puletti, Programme Assistant, APR  
Jesus Quintana, Sub-regional Coordinator, LAC  
Thomas Rath, Country Programme Manager, ESA  
Claus Reiner, Country Programme Manager, LAC  
Tomas Rosada, Regional Economist and Country Programme Manager, LAC  
Allegra Saitto, Manager, Accounting & Financial Reporting, CFS  
Dina Saleh, Country Programme Manager, NEN  
Rami Salman, Country Programme Manager, NEN  
Clare Sambrook Bishop, Lead Technical Specialist- Gender and Social Inclusion, PTA  
Maria Luisa Saponaro, Consultant, LAC  
Abdelkarim Sma, Regional Economist, NEN  
Elizabeth Ssendiwala, Regional Gender and Youth Coordinator, ESA  
Beate Stalsett, Web and Internal Communication Officer, COM  
Isabelle Stordeur, Programme Associate, NEN  
Ahmed Subahi, Country Programme Officer, NEN  
Yinhong Sun, Country Programme Officer, APR  
Bethlehem Tafesse, Administrative Assistant, NEN  
Kotb Tarek, Country Programme Officer, NEN  
Barseba Tekle, Administrative Associate, ESA  
Benoit Thierry, Country Programme Manager, APR  
Brian Thomson, Knowledge Management and Communication Manager, ECD  
Hardi Vieira, Country Programme Officer, LAC

### **Evaluation Committee of IFAD Executive Board**

Vimlendra Sharan, former Chair of Evaluation Committee, Alternate Permanent Representative of the Republic of India to the United Nations Food and Agriculture Agencies in Rome (India)  
Margot Skarpeteig, Evaluation Committee member, member. Deputy Permanent Representative of Permanent Mission of Norway to the United Nations Agencies in Rome, FAO, WFP and IFAD

### **Government representatives**

Soumiya Chbar, Chef Project, Agence pour le Développement Agricole, Morocco  
Xaypladeth Choulamany, Director General, Department of Planning and Cooperation, Ministry of Agriculture and Forestry, Vientiane, Laos  
Valentín Cobeñas, Director de financiamiento, Dirección general de Endeudamiento y Tesoro Público, Ministerio de Finanzas, Perú  
Rory Dacumos, National Economic and Development Authority, Philippines

- Angela Danson, Ministry of Agriculture, Ghana
- Hugo Dután, Gerente del Programa del Buen Vivir Rural, Ministerio de Agricultura y Ganadería, Acuacultura y Pesca, Ecuador
- Adamar Estrada, National Programme Coordinator, Department of Agriculture, Philippines
- Hugo Alexander Flores, Viceministro, Ministerio de Agricultura y Ganadería, Republica de el Salvador
- Jing Fu, Director, Division of Finance and Statistics, Department of International Financial Cooperation, Ministry of Finance, China
- Florante G. Igtiben, Assistant Director, Pubic Investment Staff, National Economic and Development Authority, Philippines
- Yrah Kriselle, International Finance Group, Department of Finance, Philippines
- Miroljub Krunić, Assistant Minister, Ministry of Finance and Treasury, Bosnia and Herzegovina
- John Kuchaka, Principle Finance Management Officer, Ministry of Finance and Planning, Tanzania
- Sharián López Cox, Analista de Preinversión y Cooperación Nacional e Internacional Ministerio de Agricultura, Ganadería, Acuacultura y Pesca, Ecuador
- Alexander Lotuashvili, Head of International Organizations Project Implementation Department, Ministry of Agriculture, Georgia
- Luisa R. Magbojos, Senior Economic Development Specialist, National Economic and Development Authority, Philippines
- Moussa Maiga, Directeur général des études et des statistiques sectorielles, Burkina Faso
- Dinna Manlangli, M&E staff, National Economic and Development Authority, Philippines
- Margarita Mateu Bullón, Directora, Dirección de Desarrollo Agrario, Agrorural, Perú
- Mónica Lily Mendoza Esprella, Analista Financiera/responsable de la cartera FIDA, Viceministro de inversión Pública y Ministerio de Planificación y Desarrollo de Bolivia
- Santiago Milona Placencia, Dirección Nacional de Seguimiento y Evaluación del Financiamiento Público, Encargado del portafolio del FIDA, Ministerio de Finanzas, Ecuador
- Diego Andrés Mora Garcia, Subdirector, Dirección de Desarrollo Rural Sostenible, Departamento Nacional de Planeación, Colombia
- Gerald Mugabe, Ministry of Finance and Economic Planning, Rwanda
- Tingting Mu, Deputy Director, Division of Finance and Statistics, Department of International Financial Cooperation, Ministry of Finance, China
- Fuad Muhaisen, Assistant Secretary General for Projects, Ministry of Agriculture, Jordan
- Minh Tien Nguyen, Director General, Chief of National Coordination Office of the National Target Programme on New Rural Development, Ministry of Agriculture and Rural Development, Vietnam
- John C . Ogol, Senior Officer, Development Assistance and Regional Cooperation Department, Ministry of Finance, Planning and Economic Development, Uganda
- Walter Ogwindo, Senior Deputy Director, Resource Mobilization Department, the National Treasury, Kenya



Robert Ouédraogo, Secrétaire Général du Ministère de l'Agriculture et des Aménagements Hydrauliques, Burkina Faso

Susan Perez, Project Development Officer, Department of Agrarian Reform, Philippines

Duong Quynh Le, Head of Multilateral Division, Department of Debt Management and External Finance, Ministry of Finance, Vietnam

Rhonel M. Santos, Monitoring and Evaluation, National Economic and Development Authority, Philippines

Marcelo Silva, ex Coordinador General Técnico, Proyecto (PDCC), Instituto Nacional de Economía Popular y Solidaria (IEPS), Ecuador

Cesar Francisco Sotomayor Calderón, Viceministro, Viceministerio de Políticas Agrarias, Ministerio de Agricultura y Riego, Perú

Andinet Tadesse Guangul, Senior Expert Representative, Ministry of Finance and Economic Cooperation, Ethiopia

Nazaire Thiombiano, Directeur Général de la Coopération a.i. du Ministère de l'Economie, des Finances et du Développement, Burkina Faso

Adama Toure, Directeur de la formulation des politiques, Burkina Faso

Donalyn U. Minimo, Multilateral Assistance Division, Department of Finance, Philippines

Juan Francisco Valencia, Director Nacional de Seguimiento y Evaluación del Financiamiento Público, Ministerio de Finanzas, Ecuador

Consuelo Velasco Loza, Dirección Nacional de Seguimiento y Evaluación del Financiamiento Público, seguimiento a las operaciones, registro y desembolso, Ministerio de Finanzas, Ecuador

Nguyen Yen Hai, Deputy Director General, Foreign Economic Relations Department, Ministry of Planning and Investment, Hanoi, Vietnam

De'er Yi, Office of Public Financing Department, Inner Mongolia Autonomous Region, China

Peng Zhengyuan, Director, IFI Division IV, Department of International Financial Cooperation, Ministry of Finance, China

### **Project staff**

Samia Akroush, Project Director, Rural Economic Growth and Employment Project (REGEP), Jordan

Omer Mohammed Awad Elseed, Project Manager, Supporting Small-scale Traditional Rainfed, Producers in Sinnar State Project(SUSTAIN), Sudan

Lali Durmishidze, Project Manager, Agriculture Modernization, Market Access and Resilience Project ((AMMAR), Georgia

Mostafa El Sayad, Executive Director, Sustainable Agriculture Investments and Livelihoods Project (SAIL) , Egypt

Adama Kabore, Coordonnateur du Projet Neer-Tamba, Burkina Faso

Lance Kashugyera, Project Manager, Project for Financial Inclusion in Rural Areas (PROFIRA), Uganda

Moses Kembe, Programme Coordinator Smallholder Dairy Commercialization Programme (SDCP), Kenya

- Hok Kimthourn, Secretariat Support Team Manager, Agricultural Services Programme for Innovation, Resilience and Extension (ASPIRE), General Directorate of Agriculture, Cambodia
- Attah - Antwi Kwasi, Coordinator, Rural Enterprises Project (REP), Ghana
- Meshack Okoth Makongoso, Monitoring and Evaluation Officer, Programme Coordinator Smallholder Dairy Commercialization Programme (SDCP), Nairobi
- Ngagne Mbao, Coordinator, Programme d'Appui au Développement Agricole et a l'Entreprenariat Rural (PADAER), Senegal
- Phetvilay Meuanedouang, Programme Advisor/Team Leader, Southern Laos Food and Nutrition Security and Market Linkages programme (FNML), Department of Planning and Cooperation , Ministry of Agriculture and Forestry, Laos
- Alfred Mutebwa, Program Manager, Project for Rural Income through Exports (PRICE), Rwanda
- Faith Muthoni Livingston, Programme Coordinator, Upper Tana Natural Resources Management Programme (UTaNRMP), Kenya,
- Dixon Ngwende, Project Coordinator, Rural Livelihood and Economic Enhancement Programme (RLEEP), Malawi
- Antonieta Noli Hinostroza, former Coordinator of Sierra Norte Project, Perú
- Halil Omanovic, Director, Project Coordinator Unit, Federation of Bosnia and Herzegovina
- Herman Ongiko, Undersecretary in Department of Agrarian Reform and Interim, Project Director for Convergence on Value Chain Enhancement for Rural Growth and Empowerment (CONVERGE), Philippines
- Agustin Perez Andrich, Coordinador Técnico, Programa de Desarrollo Rural Incluyente (PRODERI), Argentina
- Sisovath Phadanouvong, National Programme Coordinator, Strategic Support for Food Security and Nutrition Programme (SSFSNP), Department of Planning and Cooperation, Ministry of Agriculture and Forestry, Laos
- Sapta Putra Ginting, Project Director, Coastal Community Development Project (CCDP), Ministry of Marine Affairs and Fisheries, Indonesia
- Luis Delfín Saez Guillen, Coordinador, Proyecto Sierra y Selva Alta, Ministerio de Agricultura y Riego, Perú
- Haika Shayo, Coordinator, Rural Micro, Small and Medium Enterprise Support Programme, Tanzania
- Jose Mercedes Sialer Pasco, former Executive Director of Sierra Sur Project and Executive Director of Aliados Project, Perú
- Zenaida M. Silao, Interim Project Coordinator, Fisheries, Coastal Resources and Livelihood Project (FishCORAL)Philippines
- Walter Swai, MIVARF Coordinator, Marketing Infrastructure, Value Addition & Rural Finance Project, Tanzania
- Mohamed Tejan Kella, Coordinator, Rehabilitation and Community- Based Poverty Reduction Project (RCPRP) and Rural Finance and Community Improvement Programme (RFCIP), Sierra Leone
- Nguyen Truc Son, Project Director, Provincial Project Management Unit Adaptation in the Mekong Delta in Tra Vinh Province (AMD), Vietnam
- Ha Van Hoa, Project Coordinator, Tam Nong Support Project (TNSP), Tuyen Quang Province, Vietnam

U Kyaw Win, Project Director, Fostering Agricultural Revitalization in Myanmar Project (FARM), Ministry of Agriculture, Livestock and Irrigation, Myanmar

Ato Markos Wondie, Project Coordinator, Community-based Integrated Natural Resources Management Project (CBINReMP), Bureau of Agriculture and natural Resources, Ethiopia

Koudrègma Zongo, Coordonnateur du Projet, Programme d'appui et de Promotion du Secteur Privé en Milieu Rural (PASPRU), Burkina Faso

### **Asian Development Bank**

Joven Balbosa, Country Officer, Philippine Country Office, ADB

Richard Bolt, Country Director, Philippines Country Office, ADB

Andrew Brubaker, Senior Evaluation Specialist, Independent Evaluation Department, ADB

Karen Chua, Associate Operations Officer, Southeast Asia Department, ADB

Paul Curry, Principal Operations Coordination Specialist, Pacific Department, ADB

Muhammad Ehsan Khan, Advisor and Head, Unit for Institutional Coordination, Budget, Personnel, and Management Systems Department, ADB

Jose Orlando Garcia, Unit for Institutional Coordination, Budget, Personnel, and Management Systems Department, ADB

Gia Hong, Budget and Management Services Division, Budget, Personnel, and Management Systems Department, ADB

Sirpa Jarvenpaa, Director, Operations Planning and Coordination Division, Strategy and Policy Department, ADB

Kathie Julian, Advisor, Central and West Asia Department, ADB

Madeleine Maloles, Unit for Institutional Coordination, Budget, Personnel, and Management Systems Department, ADB

Marzia Mongiorgi-Lorenzo, Unit Head, Project Administration, Environment, Natural Resources and Agriculture Division, Southeast Asia Department, ADB

Binh T. Nguyen, Senior Evaluation Specialist, Independent Evaluation Department, ADB

Valerie Reppelin-Hill, Director, Strategy, Policy, and Interagency Relations Division, ADB

David Salter, Senior Natural Resources and Agriculture Specialist, Environment, Natural Resources and Agriculture Division Southeast Asia Department, ADB

Sona Shrestha, Country Specialist, Philippine Country Office, ADB

Akmal Siddiq, Director, Environment, Natural Resources and Agriculture Division, ADB

Edita T. Tayao-Castro, Environment, Natural Resources and Agriculture Division, Southeast Asia Department, ADB

Kinzang Wangdi, Budget and Management Services Division, Budget, Personnel, and Management Systems Department, ADB

Nishan Zhang, Advisor and Head, Portfolio, Results, Safeguards and Social Sector Unit, ADB

Eugenie Zhukov, Director, Budget and Management Services Division, Budget, Personnel, and Management Systems Department, ADB

### **United Nations Development Programme**

Jorge Alvarez, UNDP Programme Officer, UNDP Perú

Fermin Bataller, Finance and Procurement, UNDP Philippines

Jesus Capulong, Operations Team Leader, UNDP Philippines

Awa Dabo, Country Director, UNDP Tanzania

Maria del Carmen Sacasa, Coordinadora Residente Naciones Unidas, UNDP Perú

Nguyen Tien Phong, Assistant Country Director, Head of Poverty and Social Development Unit, Vietnam

Titus Osundina, Deputy Country Director, UNDP Tanzania

Edo Stork, Representante Residente Adjunto del PNUD, UNDP Perú

José Herman Wabo, Directeur Adjoint des Opérations du PNUD, Burkina Faso

### **Food and Agriculture Organization of the United Nations**

Jong Ha Bae, FAO Representative, FAO Vietnam

Jose Luis Fernandez, FAO Representative, FAO Philippines

Bamba Kassoum, Assistant Programme, FAO Burkina Faso

Mamuka Meskhi, Assistant Representative, FAO Georgia

Aristeo A. Portugal, Programme Assistant FAO Representative, FAO Philippines

John Preissing, Country Representative, FAO Peru

### **World Bank**

Nathan M. Belete, Practice Manager, East Asia and Pacific Region, Agriculture, World Bank

Livia Benavides, Country Operations Adviser for Bolivia, Chile, Ecuador, Peru and Venezuela, World Bank

Sarah Simons, Senior Agriculture Specialist, World Bank Tanzania

Griselle F. Vega, Rural Development Specialist, World Bank Peru

### **World Food Programme**

Jerry Bailey, WFP Deputy Representative, WFP Tanzania

Ai Jichang, Government Partnership Officer, WFP China

Jin Shiyin, Finance Assistant, WFP China

### **Other agencies and private sector**

Javier Ayala, Corporate Lead – Global Inclusive Business Services SNV Netherlands Development Organisation

Kharmina Anit, Researcher World Agroforestry Centre

Felix Bergel, Director de Recursos Financieros Institucionales, Banco de Desarrollo de América Latina

Arma Bertuso, Senior Research Associate, International Potato Institute

Minh Bui Van, Programme Officer SNV Netherlands Development Organisation  
Olivier Bürki, Regional Director South Caucasus Counsellor  
Santiago Camino, Experto en Desarrollo Rural Ecuador  
Per Carstedt, Chief Executive Officer Agro EcoEnergy Tanzania Limited  
Hija Choyo, Procurement Officer United Nations Volunteers  
André Devaux, Representante Regional para América Latina y el Caribe, Centro  
Internacional de la Papa  
Issaka Kargougou, Directeur Maison de l'Entreprise du Burkina Faso  
Geoffrey Kirenga, Chief Executive Officer Southern Agricultural Growth Corridor of  
Tanzania  
Digna O. Manzanilla Scientist and Coordinator International Rice Research Institute  
Ban Van Minh Minh Be, Agricultural Product Exporting and Processing Company Vietnam  
Miguel Ordinola Coordinador de Proyectos LAC en Perú Centro Internacional de la Papa  
Oscar Ortiz Director de Investigación y Desarrollo Centro Internacional de la Papa  
Eva María Otero Dorado, Responsable de Programas Oficina Técnica de Cooperación  
Agencia Española de Cooperación Internacional para el Desarrollo, Ecuador  
Sylvestre Ouedraogo, Conseiller de TREE AID Burkina Faso  
Alberto Paniagua, Director Ejecutivo Fondo de Promoción de las Áreas Naturales  
Protegidas del Perú  
Pedro Riera, Ejecutivo Dirección de Recursos Financieros Institucionales  
Ismael T. Sawadogo, Directeur Maison de l'Entreprise du Burkina Faso  
Beka Tagauri, Head of Program Technical Cooperation  
Annette M. Tobias, Assistant Scientist International Rice Research Institute  
David Tsiklaurim Region Director Office of Economic Growth USAID Georgia  
Nguyen Van Thien Nhat Thien, Manager, Processing Company

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International Fund for Agricultural Development

Via Paolo di Dono, 44 - 00142 Rome, Italy

Tel: +39 06 54591 - Fax: +39 06 5043463

E-mail: [evaluation@ifad.org](mailto:evaluation@ifad.org)

[www.ifad.org/evaluation](http://www.ifad.org/evaluation)

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