IFAD's response to the DFID 2013 Multilateral Aid Review

IFAD welcomes the opportunity to participate in the Multilateral Aid Review (the Review) carried out by the Department for International Development (DFID). IFAD considers that it is overall a very positive review that recognizes overall strength and progress made, and identifies areas for further progress that IFAD also consider priorities.

On the basis of existing indicators of outreach and the quality of its work, IFAD is clearly making significant progress in development effectiveness, and is a leader in its field. By 2015 IFAD should be able to document this comprehensively on the basis of accurate data on the number of people we have helped take out of poverty. IFAD is investing heavily in this, and expects to be able to be able to provide a wealth of experience to other development organizations as they gradually take on the same task, as well as to generate a step-change in the use of evidence-based approaches to both programme and policy.

A key concern is that this development effectiveness is tangibly based on a value-for-money approach, including in the area of its direct expenditures. IFAD is unique in having mobilized an independent external evaluation of its development and institutional efficiency, and is implementing an Action Plan, agreed with the Executive Board, to respond to its principal recommendations. The Administrative Budget for 201 shows the firm commitment to this process – including to its invest-to-save dimension (especially in the ICT area that is vital to streamlining).

The following are responses to specific issues raised in the Review:

As an IFI, financial management, including risk management and disbursement remains a key area. The procedures on project financial management are now wholly based on a risk based framework, on a par with all other IFIs, including risk based controls in the area of accounting. In its 2013 financial statements, IFAD is planning to adopt the revised COSO framework in its processes for the audit attestation over internal controls over financial reporting. With regard to disbursement, outflows have been accelerating: there was a modest increase of disbursements in the 12 month period between Q4 2011 and Q4 2012 – of 5.2 per cent. However, in the 12 month period between Q3 2012 and Q3 2013, it rose 18 per cent. Withdrawal Application processing times have stabilised at around 15 days (down from about 30 days only a year ago) and a new loans and grants system has now been introduced in Q4 2013, which will support accelerated disbursement processes and reporting capacities for borrowers and recipients.

On the more directly operational side, we are very aware of the challenges posed by the need to sustainably deliver programme benefits. At project design level, sustainability is being specifically addressed through internal Quality Enhancement (QE) and independent Quality Assurance (QA) processes. QE data show that projects reviewed in 2013 have already reached the 2015 target (75 per cent satisfactory or better) for likelihood of achieving sustainable benefits. The review process also found that all projects had sufficiently aligned the number and nature of project components with the reality of the host country context and, as such, 89 per cent of the project designs were judged likely to meet their development objectives. These improvements in project design are expected to further contribute to project sustainability.

Weak institutional capacities in partner countries is a key determinant of project performance and sustainability and the ARRI 2012 reported that project performance to a large extent depended upon the context and the capacity of the government and other national institutions. IFAD is now working with the Food and Agriculture Organisation to enhance the implementation capacity of partner institutions to deliver a range of services in support of poor rural people. In particular, this will focus on problem projects in fragile and non-fragile countries with weak agricultural institutions.

Decentralization is critical to our effectiveness and efficiency strategies, and IFAD has updated country its presence strategy for 2014-2016, including the opening of 10 additional country offices. Specific criteria are used to select countries where ICOs would be opened, for country offices closure (exit strategy), as well as for selecting various models of country offices. The out posting of CPMs also reflects the model of country office, partner countries' demands and portfolio characteristics as IFAD Management is guided by the consideration that the main task of country offices is to contribute directly to the country programme. The updated country presence strategy also clarifies and codifies the current level of authority vested at various levels.

In conclusion, combining the MAR's findings with this progress update, IFAD believes that it is positioned well to respond to the challenge of making a major impact on rural poverty in a complex and rapidly changing environment. IFAD values the MAR as a type of knowledge partnership to better know where IFAD is progressing, and – critically - reinforcing our ideas and resolve of where further progress needs to be made.