

Overview

Background

1. This is the 15th edition of the Annual Report on Results and Impact of IFAD Operations (ARRI), which the Independent Office of Evaluation of IFAD (IOE) has prepared annually since 2003. IFAD is among the few multilateral and bilateral organizations to produce such a report on an annual basis, reflecting the Fund's continued commitment to strengthening accountability and learning for better development impact.
2. **Objectives.** The ARRI has two main objectives: (i) to present a synthesis of the performance of IFAD-supported operations based on a common evaluation methodology; and (ii) to highlight systemic and cross-cutting issues, lessons and challenges that IFAD and recipient countries need to address to enhance the development effectiveness of IFAD-funded operations. As agreed with the Executive Board last year, the 2017 ARRI includes a learning theme chapter on financial management and fiduciary responsibilities in IFAD-funded operations.
3. **New methodology and analyses.** The 2017 ARRI includes a number of changes in the criteria for project-level evaluations and nomenclature presented in the second edition of the Evaluation Manual: (i) inclusion of the sustainability of benefits criterion as the fourth component of project performance (in addition to relevance, effectiveness and efficiency) and introduction of two new stand-alone criteria: environment and natural resources management and adaptation to climate change; (ii) assessment based exclusively on qualitative evidence of rural poverty impact subdomains, as they are no longer rated; and (iii) new nomenclature – country strategy and programme evaluation (CSPE) replaces country programme evaluation (CPE), and project performance evaluation (PPE) replaces project performance assessment (PPA). Finally, this ARRI includes t-tests of the evaluation criteria to compare data sets for statistical significance.
4. **Context of the 2017 ARRI.** The 2017 ARRI is the first edition of the document produced under the Tenth Replenishment of IFAD's Resources (IFAD10) (2016-2018). It draws its qualitative findings from evaluations conducted in 2016. Completed from 2010 to 2015, this year's cohort of project evaluations strengthens the quantitative evidence base for the periods 2010-2012 and 2013-2015, which coincide respectively with IFAD8 and IFAD9. The more robust data for these two periods allow for additional statistical analyses to compare results between them, and to identify trends that are indicative of performance in the next triennium 2016-2018, which coincides with IFAD10.
5. According to the Report of the Consultation on the Tenth Replenishment of IFAD's Resources, IFAD will build on its recent performance achievements to scale up results and consolidate the strategic approaches of IFAD9 (2013-2015). As a result, the majority of the

IFAD10 priorities and areas of reform are the same as in IFAD9. Thus the 2017 ARRI also compares IFAD9 results against a number of indicators¹ of the IFAD10 Results Measurement Framework (RMF), which retained many IFAD9 targets, as the basis for prospectively identifying opportunities and challenges in light of the priorities for IFAD10 and beyond.

effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender equality and women's empowerment, innovation and scaling up, environment and natural resources management (ENRM), and adaptation to climate change. The latter two criteria were previously rated jointly as a rural poverty impact subdomain and are now separate stand-alone criteria.³

6. **Independent evaluation database and data sources.** The independent evaluation database is publicly available online and includes project ratings from independent evaluations carried out by IOE since 2002. The 2017 ARRI draws on ratings from 295 evaluations of completed projects and 40 CSPEs.
7. **Age of the portfolio.** Of the 35 newly evaluated projects included in this year's ARRI, eight were approved from 1999 to 2003, 25 from 2004 to 2008 and two from 2009 to 2010. All the projects are completed and closed: 4 were completed from 2010 to 2012 and 31 from 2013 to 2015. Average project duration was 7 years, with 4 projects having an implementation period of more than 10 years. Given the age of the portfolio of projects analysed in the ARRI, it is important to note that analysis of performance does not take into account recently designed projects and initiatives.
8. **Methodology.** The project evaluations informing the 2017 ARRI were performed in 2016 and thus follow the provisions of the second edition of the Evaluation Manual published in December 2015. This is the first year that this new methodology is reflected in the ARRI. The evaluation criteria and definitions included in the revised harmonization agreement² between Management and IOE, applied in evaluations conducted in 2017, will be fully reflected in the 2018 ARRI.
9. Each project is assessed and rated across nine evaluation criteria: relevance, effectiveness, efficiency, sustainability of benefits, rural poverty impact, gender equality and women's empowerment, innovation and scaling up, environment and natural resources management (ENRM), and adaptation to climate change. The latter two criteria were previously rated jointly as a rural poverty impact subdomain and are now separate stand-alone criteria.³
10. IOE also has two composite evaluation criteria: project performance and overall project achievement. Project performance is an average of the ratings of four individual evaluation criteria (relevance, effectiveness, efficiency and sustainability of benefits – newly included), whereas overall project achievement is based on (but not an average of) all nine criteria now applied by IOE. Finally, each project is also evaluated for IFAD and government performance as partners, in line with the practice of other international financial institutions.
11. **Ratings scale and data series.** IOE uses a six-point ratings scale⁴ to assess performance in each evaluation criterion. The ratings, which are the foundation of performance reporting in IOE evaluations, are aggregated and used in ARRI analyses for reporting on IFAD's operational performance.
12. Project evaluation ratings are presented by year of completion in two data series in the ARRI: (i) all evaluation data; and (ii) project completion report validation (PCR/V)/PPE data only. The former presents project ratings from 295 evaluation reports starting in 2002; the latter contains only data from 157 PCR/Vs, PPEs and impact evaluations. Main trends in performance are explained through an analysis of the percentages of projects rated moderately satisfactory or better. The ARRI uses three-year moving averages to highlight long-term trends and smoothen short-term fluctuations.

¹ Given the nature and focus of independent evaluations, the ARRI is able to report on IFAD development effectiveness against levels 2 through 4 of the IFAD10 Results Measurement Framework: development outcomes and impact delivered by IFAD-supported programmes, country programme and project outputs, and operational effectiveness of country programmes and projects.

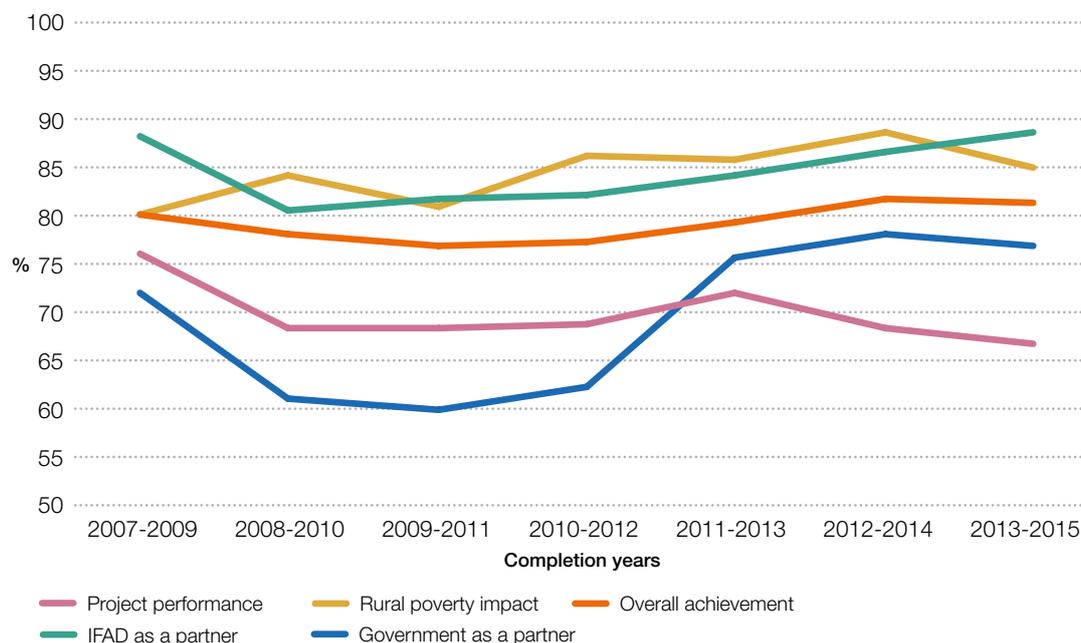
² Agreement on the Harmonization of IFAD's Independent Evaluation and Self-Evaluation Methods and Systems, Part I: Evaluation Criteria. <https://webapps.ifad.org/members/eb/120/docs/EB-2017-120-INF-2.pdf>.

³ In accordance with the new methodology, ENRM and adaptation to climate change are no longer included among the impact domains contributing to rural poverty impact. The four remaining impact domains (household income and net assets; human and social capital and empowerment; food security and agricultural productivity; and institutions and policies) are no longer rated.

⁴ Projects rated moderately satisfactory or better are in the "satisfactory" zone (4-6), while projects rated moderately unsatisfactory or worse are in the "unsatisfactory" zone (1-3).

Chart 1 Combined overview of the main evaluation criteria

Percentage of projects rated moderately satisfactory or better



Source: IOE evaluation database, March 2017.

Portfolio performance

13. Overall, the performance of IFAD-funded projects shows positive trends since 2009. Chart 1 provides an overview of the trends in project performance, overall project achievement, rural poverty impact and performance of partners. The chart confirms a shift in performance from a low in 2009-2011⁵ to a rise in 2011-2013.⁶ Over 80 per cent of projects evaluated in 2013-2015 were rated moderately satisfactory or better in terms of rural poverty impact (85 per cent), overall achievement (81 per cent) and IFAD performance as a partner (88 per cent). Government performance notably improved from 60 per cent moderately satisfactory or better in 2009-2011 to 77 per cent in 2013-2015. Project performance currently stands at 67 per cent of projects rated moderately satisfactory or better. The new definition of project performance, which includes sustainability of benefits, is reflected in the trend line from 2011 to 2015, the years in which the projects completed.

14. This positive trend in portfolio performance is further supported by the improved performance between IFAD8 (2009-2012) and IFAD9 (2013-2015). Analysis of ratings by replenishment period shows good performance of operations exiting the portfolio in IFAD9. The best-performing criteria in terms of highest percentage of moderately satisfactory and better project ratings are relevance (90 per cent), IFAD performance as a partner (87 per cent), and gender equality and women's empowerment (85 per cent). Improved performance between IFAD8 and IFAD9 is further confirmed for select criteria based on a two-sample t-test on PCR/PPE data. Relevance, IFAD performance as a partner, gender equality and women's empowerment, innovation and scaling up, and project performance all show statistically significant increases in their mean ratings.

15. Despite these improvements, portfolio performance has begun to plateau, driven by mostly moderately satisfactory ratings. In the period 2013-2015, although IFAD performance

⁵ The 2015 ARRI attributed the dip in performance to the fact that part of the evaluated projects completed in 2009-2011 were implemented in countries with fragile situations, and as a reflection of the introduction of IFAD's first Evaluation Manual in 2008, which was the basis for evaluating projects from 2009 onwards. Efficiency and government performance were particularly weak.

⁶ The 2016 ARRI attributed the improved performance to significant changes in IFAD's operating model since 2007 (e.g. ex ante review, direct supervision and decentralization), starting to be reflected in the evaluation data.

as a partner increased to 88 per cent of projects rated moderately satisfactory or better, chart 1 shows slightly declining performance in overall project achievement (81 per cent), government performance (77 per cent), rural poverty impact (85 per cent) and project performance (67 per cent). The decline in project performance can be attributed to declines in the percentage of projects rated moderately satisfactory or better in effectiveness (from 77 to 75 per cent) and efficiency (from 61 to 57 per cent), as relevance increased slightly (from 88 to 90 per cent) and sustainability of benefits remained flat at 65 per cent. Among the IFAD-specific criteria, innovation and scaling up increased slightly to 91 per cent, while gender and women's empowerment showed flat performance, with 85 per cent of projects rated moderately satisfactory or better, and ENRM declined to 77 per cent. Of the 28 projects including the new criterion adaptation to climate change, and completed in the period 2013-2015, 74 per cent were rated moderately satisfactory or better. Due to the criterion's novelty and resulting limited evidence, tracking adaptation to climate change experiences is more difficult than the more well-established ENRM criterion.

16. Efficiency and sustainability of benefits remain long-standing bottlenecks for project performance, with the lowest means in the period 2007-2015, respectively 3.62 and 3.67. In the 2013-2015 period, efficiency remains the weakest performing criterion due to high project costs, frequent staff turnover and implementation period overruns, owing to significant delays in project start up. While performance in sustainability of benefits has shown improvement, progress is slowing due to recurrent issues of fragile results at completion, limited beneficiary ownership and the absence of clear project exit strategies – which, notably, was a recommendation in the 2015 ARRI.
17. The overall trend in rural poverty impact is consistently positive, with an average mean

of 4.09 from 2007 to 2015 and 84.9 per cent of projects rated moderately satisfactory or better in 2013-2015. However, recent performance is flat and has declined slightly. In projects rated unsatisfactory for rural poverty impact, 2016 evaluations highlight issues with the targeting strategy and insufficient clarity on the target group. Targeting is also a key driver of performance in relevance, which is plateauing, with a percentage of projects rated satisfactory or better at 52 per cent.

18. The 2015 and 2016 evaluations consistently found that poverty analyses conducted at design do not sufficiently capture differences among groups of poor rural people. Project activities do not reach all target beneficiaries, in particular the poorest; and strategies are often not flexible enough to adapt to changes during implementation.
19. Women's specific constraints and needs were not always sufficiently analysed and incorporated into programme design and planning. The 2016 evaluations found that explicit consideration of women's specific needs and strategies targeting women are critical in ensuring that they benefit equally and that their strategic needs are addressed. Specific targeting strategies are especially required to address the diverse needs of women, especially from groups more likely to be left behind, such as very poor or landless people, indigenous peoples and women-headed households.
20. With regard to food security and agricultural productivity, IFAD has included two new IFAD10 RMF impact targets related to improved production and improved market access. However, these targets measure both agricultural and non-agricultural production, at the risk of neglecting agricultural productivity in terms of food security. This greater emphasis on commercial production is reflected in the sample of programmes evaluated in the Evaluation Synthesis Report

(ESR) on Smallholders Access to Markets, which concluded that improved access to markets alone does not necessarily lead to improved food security. Despite increased agricultural productivity, project impact on child nutrition was limited and diets remained largely unchanged. The issue of unchanged malnutrition rates is also related to the lack of disaggregated data.

Benchmarking project performance

21. Overall, IFAD's project performance remains strong – and on a par with the agriculture-sector operations of the World Bank, as shown in the following table. At the regional level, IFAD maintains the highest share of moderately satisfactory or better project performance ratings in the given period when IFAD-funded projects in the Africa and the Asia and the Pacific regions are compared with the African Development Bank (AfDB) and Asian Development Bank (ADB) respectively. Notably, the inclusion of sustainability of benefits in project performance ratings has strengthened the comparability of IFAD's results with the regional banks.
22. **Country performance.** CSPEs analyse and report on performance beyond the project level and identify lessons that cut across IFAD country programmes. They assess portfolio performance in non-lending

activities (i.e. country-level policy engagement, knowledge management and partnership-building). This year's ARRI includes four new CSPEs carried out in the following countries: the Democratic Republic of the Congo, Mozambique, Nicaragua and the Philippines.

23. Knowledge management, partnership-building and country-level policy engagement are mutually reinforcing actions to complement IFAD's investment projects. Chart 2 presents trends in the performance of non-lending activities from 2006 to 2016. The performance of non-lending activities improved significantly from 2006 to 2011, followed by flat performance from 2011 to 2014. The period 2013-2015 marks another shift in performance, with improvement in knowledge management (KM) and declines in country-level policy engagement and partnership-building. Notably, from 2014, partnership-building is no longer the strongest performing non-lending activity due to steady improvements in KM. However, the positive trend for KM from 67 per cent in moderately satisfactory country programmes since 2010-2012 to 75 per cent in 2014-2016 has now reached a plateau. The performance of country-level policy engagement declined from 73 per cent of country programmes rated moderately satisfactory or better in 2009-2011 to 58 per cent in 2011-2014, to decline further to 50 per cent in 2014-2016.

Benchmarking project performance

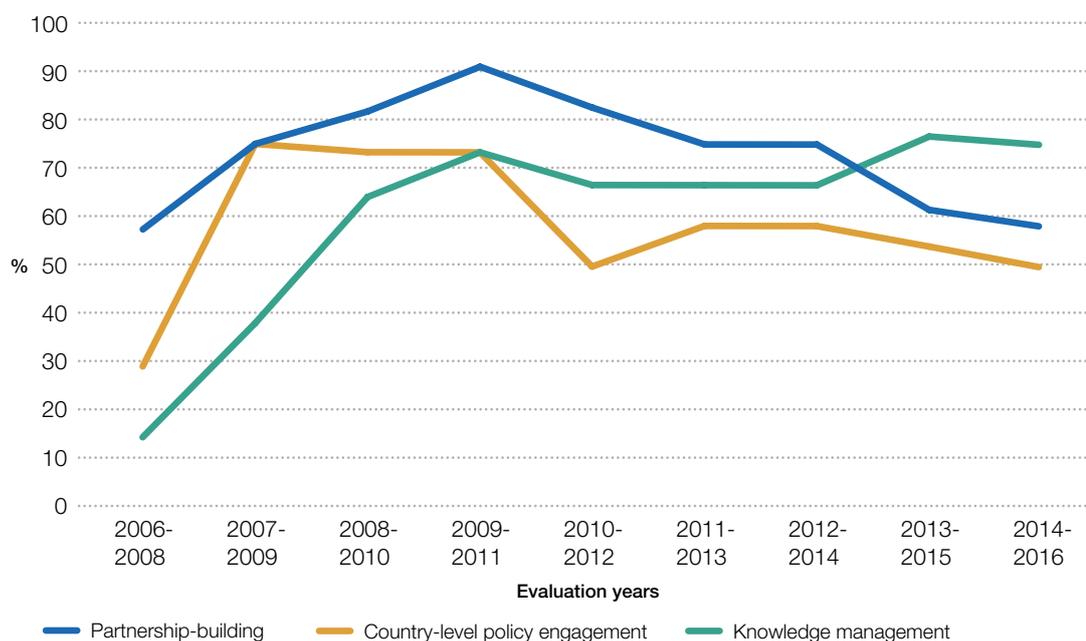
Percentage of agriculture and rural development projects rated moderately satisfactory or better (all evaluation data series)

Time period	IFAD					
	IFAD 2002-2015	IFAD Africa 2002-2015	IFAD Asia and the Pacific 2002-2015	World Bank 2002-2015	AfDB 2002-2013	ADB 2002-2014
2002-2015 (percentage)	75%	68%	88%	76%	44%	65%
Number of agricultural projects evaluated	279	129	73	662	131	92

Source: Independent evaluation rating databases of the Independent Development Evaluation Unit of AfDB, Independent Evaluation Department of ADB, Independent Evaluation Group of the World Bank and IOE.

Chart 2 Performance of non-lending activities 2006-2016 (year of evaluation)

Percentage rated moderately satisfactory or better by criteria



Source: IOE evaluation database, March 2017.

7 “Financial management” refers to the organization, budgeting, accounting, internal control, funds flow, financial reporting and internal and auditing arrangements by which borrowers/recipients receive funds, spend them and record their use (Financial Management and Administration Manual 2016, p. 3).

24. The 2016 CSPEs highlight the importance of non-lending activities as vehicles for enhancing the overall impact of the results of IFAD’s country programmes and identify factors to enhance IFAD’s capacity. Building strong KM platforms within country programmes is a critical first step towards enhancing non-lending activities overall. Such platforms allow the critical flow of knowledge from the programme management unit (PMU) to IFAD to government and eventually, external partners. Second, centring non-lending on the country programme and existing programme processes, given limited resources, contributes to better results. Third, a coherent system for non-lending activities is required that outlines how KM products contribute to partnership-building, and then how these partnerships lead to effective policy engagement that enhances country programme results. Finally, given the limited resources for non-lending activities, the 2016 CSPEs highlighted grants as a useful instrument for partnering, country capacity-building and country-level policy engagement.

2017 learning theme on financial management and fiduciary responsibilities

25. As agreed by the Executive Board in September 2016, the learning theme for the 2017 ARRI is financial management and fiduciary responsibilities in IFAD-funded operations. Since IFAD-financed projects are nationally managed using national public financial management systems, IFAD requires assurance from borrowers/recipients that they meet IFAD’s fiduciary standards, notably by maintaining adequate financial management arrangements.⁷ To that end, IFAD oversees the effectiveness of the financial management arrangements in place and supports the borrower’s fiduciary capacity, both at the project design stage and during implementation.
26. Five major lessons emerge from evidence drawn from evaluation reports and portfolio reviews that highlight drivers of and impediments to the successful management of fiduciary responsibilities.

27. **Lesson 1.** Introducing measures that address identified weaknesses in institutional and project management capacity, ahead of implementation, reduces unnecessary exposure to fiduciary risk. IFAD projects are exposed to multiple risks such as: country or sector governance issues (including corruption); complex, unclear or ineffective rules, regulations and legal structures; and weak institutions and capacities that weigh on project implementation and undermine financial management and fiduciary compliance. Financial management assessments (FMAs) are critical in identifying inherent risks⁸ as part of the overall project fiduciary risk (PFR) assessment process (introduced in 2012), which occurs initially during project design and is then reviewed at least annually throughout the life of the project. Project management structures, encompassing oversight by the steering committee, ministry senior management and the PMU, are essential organizational elements of an enabling implementation environment.
28. **Lesson 2.** Managing fiduciary responsibilities through national systems and regulations may entail a trade-off between short-term risks and longer-term sustainability. IFAD projects use national public financial management systems⁹ where feasible. As government systems regularly struggle to meet IFAD's fiduciary requirements (e.g. integrated workplan and budget, financial reporting and procurement), project implementation is bound to increase fiduciary risks.¹⁰ Measures to mitigate these risks usually involve capacity-building focused on the immediate project financial management environment. Yet, to the extent that more comprehensive national capacity-building is beyond IFAD's remit, project-specific measures shielding financial management from the risks inherent in the existing systems are necessary. Often reinforced by additional IFAD implementation support, they contain fiduciary risks in the short term, but also undermine the longer-term sustainability of project capacities.
29. **Lesson 3.** Effective fiduciary monitoring enhances financial management controls and fiduciary compliance, but does not eliminate fiduciary risks. Weak management remains one of the core challenges to fiduciary compliance. It is frequently linked to the failure to secure adequate staffing arrangements in terms of skills and numbers, combined with turnover of key positions. Insufficient management capacity translates into ineffective and often unrealistic planning, procurement delays, disrupted flow of funds, inadequate follow-up on project activities and, ultimately, suboptimal returns on investment. Insufficient financial controls frequently cause implementation delays and at times lead to project failure. To keep fiduciary risks in check, project-level monitoring of financial management must focus particularly on the following risk control areas: (i) disbursement/withdrawals; (ii) workplan and budget; (iii) audits for internal management and contractual compliance; and (iv) procurement.
30. **Lesson 4.** Project supervision contributes to fiduciary compliance if and when it is backed by credible enforcement and matched by effective implementation support. Project monitoring of fiduciary risks is complemented and reinforced through IFAD supervision. The purpose of this supervision is to: (i) oversee the functioning of project-level risk controls and thus to improve project compliance with loan fiduciary requirements; and (ii) enhance the capacity of projects to properly manage their activities in general, and finances in particular. To these ends, IFAD monitors possible performance shortfalls in the controls and provides appropriate incentives for improved control performance.
31. **Lesson 5.** Implementation support diminishes fiduciary control risks, but is limited by high transaction costs. Support measures boost fiduciary control as they address ongoing weaknesses in project financial management. Following up on problems identified in
- 8** A financial management assessment and fiduciary summary at the country level inform project-level FMA. They draw on reviews of the relevant documentation available on: governance; Transparency International's most recent Corruption Perceptions Index scores; findings of any recent donor-funded financial management diagnostic reviews; and any recent reports from donors and development partners (e.g. public expenditure and financial accountability assessments or similar reports). These are supplemented by data on each ongoing IFAD country portfolio and the financial management risk ratings assigned to it.
- 9** Including single treasury accounts, budgets, integrated financial accounting systems, internal audit institutions and administrative procedures for authorization of expenditures or Supreme Audit Institutions.
- 10** IFAD project status reports.

the course of project supervision, IFAD has provided advisory support to resolve specific problems and training to develop local capacities. By and large, its measures, spanning the whole range of fiduciary concerns, have helped improve the fiduciary performance of projects. Such measures include workplan and budget preparation and execution, technical issues, the monitoring and evaluation (M&E) system, reporting tools, the financial management system, procurement and other financial issues. Yet the de facto high cost of supervision missions has limited their frequency.

32. In sum, fiduciary compliance requires institutional and procedural responses that are carefully tailored to the highly diverse conditions and dynamics of countries. Sustainability of project results, in turn, calls for national institutions to drive these solutions, with IFAD standing by to assist in implementation. Thus, the primary guiding principle that emerges for IFAD is that successful management of fiduciary responsibilities needs rigour rather than rigidity in preparation, design, supervision, enforcement and backstopping of projects. Ultimately, the only way to address fiduciary risk is to help build institutional capacity: only a medium-to-long-term time horizon appears realistic in meaningfully reducing risk levels.

Conclusions

33. The 2017 ARRI provides the following conclusions that take into account cross-cutting issues and lessons.
34. The performance of IFAD operations shows improvement from 2009; however, performance is beginning to plateau. Between IFAD8 and IFAD9, there has been a statistically significant improvement in the means of selected criteria, such as relevance, innovation and scaling up, gender equality and women's empowerment, and IFAD

performance as a partner. Performance of other evaluation criteria, such as effectiveness, efficiency, project performance, impact, sustainability, natural resources management, government performance as a partner and overall project achievement, followed a plateau pattern in the recent period 2013-2015. Sustainability and efficiency continue to require IFAD's attention and remain the lowest performing criteria, the latter with a slightly declining path in recent years. Overall, evaluation ratings remain in the moderately satisfactory (4) zone.

35. Based on IOE ratings, the majority of the criteria are currently performing below the RMF targets established for IFAD9 and IFAD10. Four criteria (effectiveness, efficiency, sustainability of benefits and ENRM) are 10 to 20 percentage points below the 2018 targets, indicating the need for greater efforts in these areas. Three criteria (government performance as a partner, rural poverty impact and gender and women's empowerment) are five percentage points or less away. Innovation and scaling up has exceeded the target by one per cent. Adaptation to climate change has exceeded its conservative target. However, few observations are available for this criterion so far. While the above targets will be measured by Management's ratings, not IOE's, and IFAD10 is still ongoing, this brings to Management's attention the need for further improvement to reach these targets by 2018.

36. Good performance on the ground is linked to well-defined targeting strategies. IFAD projects that perform well are highly relevant to the socio-economic context, beneficiaries' requirements and institutional priorities. Well-defined targeting strategies ensure the coherence of the project's relevance, particularly to beneficiaries, from project design to achievement of the objectives. The main issues raised by evaluations relate to gaps in identification of the diverse socio-economic groups and the distinct

needs and demands expressed by each. Similarly, adjustments made during project implementation often do not fully capture the differentiated needs among the most vulnerable groups – youth and women in particular.

37. Promoting gender equality and women's empowerment (GEWE) is critical to meeting the 2030 Agenda challenge of improving food and nutrition security and eradicating rural poverty. Among the Sustainable Development Goals (SDGs), GEWE serves as both a goal (SDG5) and a means to achieving the SDGs to end hunger and poverty. The IFAD Strategic Framework (2016-2025) includes GEWE as a principle of engagement, and envisions scaling up its current gender mainstreaming practices to achieve transformative gender impacts that contribute to achieving the SDGs. According to IOE evaluations, GEWE remains among the better-performing indicators. However, there is space for moving beyond. The ESR on GEWE provides insights into how IFAD can stimulate more transformative impacts. The more effective practices break gender roles and stereotypes, enhance representation and voice in local governance, and provide functional training. Yet transformation also requires changes in cultural norms and practices, beyond individual capabilities, as well as systemic changes, for example in laws, policies and government capacities, where major gaps still exist.

38. The need to improve M&E data is widely recognized at IFAD. In the areas of ENRM, adaption to climate change, food security and agricultural productivity, the absence of disaggregated data is a specific concern. Management has taken steps towards strengthening its M&E systems in 2016, rooted in the IFAD Development Effectiveness Framework. However, the evaluations reviewed by this ARRI highlight the need for more disaggregated data for two criteria: ENRM and adaptation to climate change. During the IFAD9 period, these were merged,

which has resulted in a predominance of evidence on the former and limited evidence on the latter. The separation of the two under IFAD10 represents a positive step forward, if matched by an improvement in availability of data. The other area corresponds to the criterion of food security and agricultural productivity. Evidence is available predominantly on agricultural productivity, but limited for food security, particularly nutrition. Importantly, better food production and productivity may not lead automatically to better nutrition.

39. The 2017 ARRI learning theme recognizes the challenge of ensuring governmental agencies' fiduciary responsibility. Government performance is the primary driver with regard to financial management, procurement, audits, and ensuring coherence between implementation and planning. IFAD has a critical role in assessing and mitigating risks, as well as in providing supervision and implementation support.

40. Reliance on national systems and the uneven capacities of government institutions, particularly in procurement, is an issue for IFAD loan projects that contributes to slow implementation progress, affecting project performance. Given the diverse country contexts in which IFAD operates, addressing this situation requires tailored procedural approaches to financial compliance, driven by national institutions with IFAD's implementation support. This allows IFAD to maintain rigour in managing its fiduciary responsibility without constraining smooth implementation.

41. With the exception of KM, evaluations have found limited progress in non-lending activities in recent years. Non-lending activities – KM, partnership-building and country-level policy engagement – are mutually reinforcing in complementing IFAD's investment projects and leveraging the impact of IFAD-financed operations on the ground. KM has

experienced an improving trend, although it is now reaching a plateau. Partnership and country-level policy engagement show signs of a decreasing trend.

42. In sum, while significant improvements over the IFAD8-IFAD9 periods are noted, the recent flat performance is a call for action if IFAD is to fully meet IFAD10 targets. There is room for improvement to go beyond moderately satisfactory in areas of strength, including relevance, GEWE and innovation and scaling up. Improvement in the three cross-cutting areas – targeting, GEWE and non-lending activities – can serve as a catalyst of better performance on the ground in country programmes and substantially enhance rural poverty impacts. Unlocking their full potential will require concerted efforts by Management. The 2017 ARRI offers the following recommendations to address the most urgent challenges.

Recommendations

43. **Recommendation 1. Ensure that consolidation of IFAD9 achievements does not result in stagnation in IFAD10 and beyond.** The ambitious IFAD10 targets require that IFAD operations build on strengths and address long-standing performance bottlenecks to maximize sustainable results. Making this leap requires a change in IFAD’s modus operandi, including a new approach to programme design that allows IFAD operations to efficiently deliver relevant and sustainable results for targeted beneficiaries. This entails a holistic approach that improves articulation between the COSOP and the project pipeline, and reduces the gap between project design and implementation through the greater involvement of government, supported by a more decentralized IFAD. To initiate this paradigm shift, Management can set satisfactory or better targets for IFAD11 in areas of strength such as relevance, GEWE and innovation and scaling up to lift performance above the current plateau.
44. **Recommendation 2. Adopt transformative approaches that address the root causes of gender inequality and discrimination if IFAD is to contribute substantially to meeting the SDG goal of “leaving no one behind”.** Moving towards gender transformation requires IFAD to go beyond participatory processes, which are very important, but not sufficient. IFAD-supported interventions also need to address longer-term changes in cultural practices, as well as in laws and policies. For this, projects require a specific theory of change as well as indicators to monitor them throughout the project cycle.
45. **Recommendation 3. Systematize the three non-lending activities – KM, partnership and policy engagement – to unlock their potential to scale up country programme results.** Non-lending activities need to be recognized as a key ingredient in achieving IFAD’s mandate. Objectives for non-lending activities must be formulated more selectively, and with clear internal linkages between the activities and the resources needed to undertake them. Non-lending activities must be integrated into country programmes and related processes (such as supervision, country programme review and rural-sector performance assessment).
46. **Recommendation 4. Improve data granularity for selected strategic criteria to better monitor performance and enhance operational approaches.** Given the heightened focus on mainstreaming adaptation to climate change in IFAD10, supported by its separation from ENRM, there is a need to collect more tailored evidence to demonstrate achievements. Technological advancements, including in geospatial information and remote sensing, may provide cost-efficient opportunities for improved data quality. Central to IFAD’s mandate, food

security requires special attention to ensure that agricultural productivity leads to improved food security for IFAD's target groups. This requires including metrics of food security in the formulation of country strategies and project design and in their monitoring.

47. **Recommendation 5. Extend greater differentiation in financial management and fiduciary requirements to procurement, while supporting long-term national capacity improvement.**

- (i) In the short to medium term, IFAD must further differentiate fiduciary requirements based on the country context and risk profile. This requires an enhanced ex ante assessment of procurement risks at country, sector and agency levels, in return for a better-tailored approach to fiduciary requirements, notably for procurement.
- (ii) In the long term, the goal is to contribute to strengthening financial management and procurement capacities of implementing agencies, possibly with the support of IFAD grants. Depending on the country context, and in collaboration with other partners, IFAD may support establishing permanent PMUs responsible for all externally funded interventions in a specific sector or subsector.

48. **2018 ARRI learning theme.** "Targeting" the rural poor and food insecure is recommended as the learning theme for the 2018 ARRI. While selected evaluations have identified good cases of pro-poor targeting, there is still an issue of lack of clarity and analysis of the target group in project design and at the strategic (COSOP) level.