

# IFAD Replenishments Corporate-level Evaluation

## Executive Summary

1. Replenishment consultations are the means by which international financial institutions renew and sustain funding for their concessional programmes. They also provide a forum for strategic dialogue on the past results and future orientations of these organizations. IFAD's Replenishment is an essential process for the Fund. How it evolves will have implications for IFAD's future in terms of its business model, governance in the broadest sense, and operational capacity and relevance.
2. Therefore, following agreement with IFAD Management, the Executive Board decided at its December 2012 session that the Independent Office of Evaluation of IFAD (IOE) would undertake the first corporate-level evaluation on IFAD replenishments (CLER) in 2013. The timing has been such that the evaluation feeds into the IFAD Tenth Replenishment (IFAD10) process, enhancing the real-time learning aspects and the immediate usefulness of the findings and recommendations. The trade-off has been an evaluation completed in a shorter time and with fewer resources than most corporate-level evaluations, while still covering a wide range of issues. Striking the right balance between depth and breadth of issues covered has thus been one of the evaluation's challenges.
3. The CLER has four main objectives:
  - (a) to help ensure accountability and especially learning from the replenishments;
  - (b) to assess the links between the replenishment process and policy and organizational change;
  - (c) to assess the relevance of the replenishment in its current form; and
  - (d) to identify potential areas of improvement and good practice from peer institutions (i.e. international financial institutions).
4. To meet these objectives, the CLER takes as its point of departure the objectives of the replenishment exercise. It then analyses the five corporate areas of greatest importance for meeting these objectives: governance; the replenishment process; the process of organizational change; the results area; and financial dimensions.
5. The evaluation is based on a thorough analysis of the context in which the replenishments take place. This is because global trends also affect IFAD, as clearly shown in the findings.
6. Indeed, global economic power structures are changing, and the aid architecture, instruments and tools, and partnerships are gradually adjusting to the new reality. The question for IFAD is how to use the replenishment exercise most strategically in this evolving situation to achieve the objectives of mobilizing resources, and ensuring consensus and support for its strategic direction and acknowledgement for its results.
7. Funding and support for development today goes well beyond official development assistance (ODA) from traditional donors; different opportunities arise as funding increasingly comes from new and emerging donors, the private sector, non-governmental organizations (NGOs) and various innovative funding mechanisms. New institutions are founded and strengthened; Arab aid institutions have significantly increased their delivery capacity; and the BRICS countries (Brazil, Russia, India, China and South Africa) are creating their own development

institutions – all are potentially important new partners for IFAD. The full implications of these developments are, however, not yet clear.

8. ODA, together with multilateral aid, is declining while non-ODA sources of financing seem to be increasing. It is therefore likely that future development funding will increasingly be provided as non-core rather than core funding, with implications for all international financial institutions, including IFAD. An evaluation of the World Bank's trust fund portfolio concluded that "while trust funds can add value by providing coordinated grant financing for specific countries, development issues, and especially global public goods, the deployment of trust fund resources does not consistently work in accordance with the Paris Declaration aid principles of country ownership and donor coordination."<sup>1</sup> Managing these funds requires a strategic and disciplined approach to ensure that they genuinely meet the interests of both donors and recipients.
9. Of specific interest, and encouragement, to IFAD is the fact that, globally, aid to agriculture shows an increasing trend, in particular for multilateral development assistance. This indicates widespread acknowledgement of the importance of agriculture; investing in agriculture can help achieve the first Millennium Development Goal – to eradicate extreme poverty and hunger by 2015 – and any related post-2015 goal. It is also recognition that international financial institutions, including IFAD, are well placed to address challenges and ensure results in this area. Bilateral donors in the governing bodies of these institutions have encouraged investments in agriculture, while in their bilateral programmes the increase in allocations to agriculture is less significant.
10. Following considerable increases in the past, growth in replenishments seems, however, to be waning for all international financial institutions, which increasingly have to mobilize funds from new sources. Competition for funds and donor earmarking are now key characteristics of multilateral aid. Moreover, although partnerships are generally seen as a sine qua non for any development institution, there is no doubt that rivalry for funds is likely to intensify. The need to demonstrate relevance and results will persist, and IFAD must make a convincing case for its place in the post-2015 aid architecture, while maintaining the generally good assessment of its efficiency and effectiveness.
11. Although traditional donors (List A) still provide the majority of IFAD's regular resources, the new global economic power structure means that IFAD is increasingly working with new groups of countries and institutions. In this respect, two issues need consideration: (i) non-traditional donors must be, and feel that they are, an integral part of the dialogue shaping each institution's agenda and business model; and (ii) they may favour non-core contributions, especially if they do not feel heard in the discussions on core contributions. In combination with the increasing trend towards earmarking from traditional donors, this could, in the long run, jeopardize the multilateral character of some institutions, including IFAD. A strategic use of the replenishment process may help IFAD manoeuvre successfully through these new emerging trends.
12. The role of the replenishment has evolved over time from a narrow focus on resource mobilization, and thus on donors, to a broader agenda with three interlinked objectives that engage all Member States, namely to: (i) mobilize resources; (ii) provide an opportunity for IFAD to explain its evolving strategy to reduce rural poverty and present its achievements and results; and (iii) provide an opportunity for Member States to offer strategic guidance to the organization. However, although the agenda and the scope of discussions have broadened, and the centre of gravity of the global economy has shifted dramatically since the initial

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<sup>1</sup> The Independent Evaluation Group : Trust Fund Support for Development, 2011  
[https://ieg.worldbankgroup.org/Data/reports/TF\\_eval.pdf](https://ieg.worldbankgroup.org/Data/reports/TF_eval.pdf).

replenishments, the membership of the replenishment has remained largely the same.

13. Comparing IFAD with peers in terms of voice and representation, however, shows how IFAD is ahead of peers in providing seats at the replenishment table to a larger group of both traditional and new donors, and to borrowing countries. IFAD's lead can, for the most part, be explained by its history as a partnership involving the countries of the Organisation for Economic Co-operation and Development, the members of the Organization of the Petroleum Exporting Countries, and developing countries. However, new efforts may be needed to revive and preserve this perception of a joint responsibility. Both formal and informal participation in the consultation process needs to be matched more closely with the triple objectives. In this respect, the classification of members into three categories<sup>2</sup> (the "List system"), which is unique to IFAD and not applied in any other international organization, seems under some pressure. A particular challenge is List C, where a large number of highly heterogeneous countries share 18 seats, with the implication that, whereas List A and B Member States participate as sovereign, individual states, List C members participate as representatives of a group of countries.
14. As regards the process itself, IFAD has institutionalized, professionalized and streamlined the replenishments, while introducing some major innovations over time. As a result, Member States are generally satisfied with both the efficiency and effectiveness of the process.
15. Nonetheless, two questions are worth considering. The first is whether the issues discussed at the replenishment consultations could be discussed more efficiently or effectively, or with a greater sense of ownership, in any other forum. The only existing options are the Executive Board and the Governing Council. Neither, in its current form, seems a valid option. The Executive Board has insufficient representation and too heavy an existing agenda to be able to give such important discussions the attention they merit. And the Governing Council is too large a setting, which is why it delegates the periodic replenishment of IFAD's resources to a dedicated committee (i.e. the replenishment consultation committee).
16. The second question concerns the extent to which the replenishment drives change in IFAD. The answer is: to a large extent. Evidence also shows, however, that the replenishment in turn is driven and influenced by the external environment. Many changes introduced through the replenishment respond to external challenges and global issues that IFAD, like its peers, would in all likelihood have had to address in any event. One example is the strong focus on results over the past decade.
17. The replenishment, with its List-based representation but manageable number of delegates, therefore constitutes at present probably the most effective forum for a collective discussion of the relevance of these challenges for IFAD, and the most appropriate way to address them. Nonetheless, some fairly modest changes would give all Member States a greater sense of ownership of the process and its outcomes. Ownership and relevance could, for instance, be enhanced through working groups or informal sessions. As peer institutions have shown, these can be useful for facilitating the resolution of contentious issues and providing additional time for discussing results or strategic direction. The duration of the cycle also merits review, including with respect to the implications for improving the mid-term review (MTR) of each replenishment.
18. Accountability for development results is implicit in the second objective of the replenishment, and results have been a major focus of all replenishments reviewed. The IFAD9 commitment matrix and the Results Measurement Framework (RMF) have evolved over time, and efforts to streamline and align the two

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<sup>2</sup> Resolution 86/XVIII

processes have led to a fairly successful reporting system. However, despite this, three issues are of concern: (i) IFAD's MTR of replenishments is almost an integral part of the first meeting of the next replenishment because of the three-year cycle and the 9- to 10-month negotiation period for each replenishment; (ii) IFAD is spending less time on the discussion of results than its peers; and (iii) the RMF, to be truly useful for managing for results rather than just reporting on results, needs an explicitly articulated theory of change. IFAD, which is well recognized among donors for its strong results measurement capacity and its openness to innovation, continues to improve the system. As part of IFAD9, IFAD Management made a commitment to conduct, and report on the results of, 30 impact evaluations by the end of the replenishment period. This effort is ongoing but will require tighter management to ensure the timely delivery of results. The impact evaluations are expected to provide critical inputs that will allow IFAD to construct strong causality chains, including at the highest strategic levels.

19. With regard to the resource mobilization objective, there is no doubt that the replenishment is, and will remain, the foundation of IFAD's operations. Although fewer countries contributed to IFAD9 than to IFAD7 or IFAD8, it is noteworthy that more countries contribute to IFAD replenishments than to those of any of IFAD's peers. For instance, only 46 donors contributed to the International Development Association's newly concluded 17th Replenishment, while 78 contributed to IFAD9; this attests to the still-strong sense of ownership among IFAD's membership.
20. Replenishment contributions are part of regular resources. As such, they generate reflows and are not earmarked. They are the most useful funds that IFAD has since they fund its core mission. Moreover, IFAD, with the oversight of the governing bodies, can exercise discretion in their use. They therefore give the Fund the flexibility it needs to maintain its strategic direction or respond to emerging issues. Continued efforts are needed to mobilize replenishment contributions, but current trends are not encouraging. IFAD must therefore intensify its efforts to reach out and engage where the potential is greatest.
21. IFAD-administered resources are an essential supplement to regular resources, enabling IFAD to finance its full programme of loans and grants. Efforts to mobilize such resources are ongoing under the Additional Resource Mobilization for IFAD (ARM) initiative, but the success of this initiative still remains to be seen. The evaluation emphasizes the need for IFAD-administered resources to be provided so that (i) they only finance activities squarely within IFAD's strategic framework; (ii) the governing bodies are able to fulfil their supervisory role vis-à-vis these resources; (iii) they are of a "minimum quality", i.e. earmarking and additional administrative burdens must be minimized; and, most important of all, (iv) they must be truly additional, bringing in new resources and not displacing core resources.

### **Summing up**

22. The replenishment process has become increasingly efficient and effective in meeting its triple objectives. It continues to be relevant in that it provides predictable three-year financing and a reasonably representative platform for discussing results and strategic direction. Improvements in process and representation may lead to even stronger ownership than is currently the case.
23. However, some fundamental concerns need to be addressed, in addition to some less fundamental but still important challenges raised in the report. The increasing use of earmarking carries risks to effectiveness, efficiency and governance. In terms of ownership, the List-based system of representation, valid when IFAD was established, has not kept up with global economic development. An otherwise strong results measurement system needs a clearly articulated theory of change to be truly useful for managing results rather than solely reporting on them. And, the

duration of the replenishment and ways to broaden IFAD's engagement with its membership in the process are issues that need further study.

24. Trust in the institution is what, in the end, is most likely to give IFAD the support it needs from donors and partners. IFAD has gained this trust in many ways, including through a high level of transparency, a willingness to examine even difficult issues through evaluations, and a responsiveness to issues raised during replenishment consultations. If, however, the fundamental principle of joint responsibility for IFAD is to be preserved, the original burden-sharing arrangements must be re-examined in the light of current global developments. A strategic use of the replenishment process, with strong and open formal and informal communication, with solid and realistic financial projections, and with well-researched and well-presented thematic and issue papers, is likely to add to the "trust-capital" that IFAD already has, and may help build and strengthen the bridges among the membership necessary for assuming the joint responsibility for IFAD.

### **Key recommendations**

#### **In the run-up to the IFAD10 consultation**

25. A strong forwards- and backwards-looking case should be made for IFAD at the outset of the consultations, keeping in mind the three main objectives of the replenishment. This can be achieved by: (i) ensuring a comprehensive MTR of IFAD9 with good documentation and also sufficient time to discuss the results of IFAD8; and (ii) providing a longer-term perspective through the presentation of a "light" strategic vision to supplement the short three-year perspective.
26. Efforts should be made to engage borrowers by demonstrating how IFAD is relevant to them. This could be done through specific cases or statements that give real-life examples and input to the dialogue. Presentations by IOE of the Annual Report on Results and Impact of IFAD Operations and key evaluations relating to the issues on the agenda would further demonstrate IFAD's commitment to accountability and learning.
27. The presentation of a well-articulated theory of change based on the RMF, and clearly illustrating with examples how the different strategic documents are linked and used for management purposes, would further strengthen IFAD's claim that it manages for results. It may also help Member States link funding more closely to results.
28. New formal and informal initiatives should be tested to provide opportunities for amplifying the voice of countries that are underrepresented in the replenishment. Consideration could, for example, be given to preparing side events at the Governing Council before the first replenishment consultation meeting to discuss the agenda; a similar event could be arranged to present the consultation report the following year.

#### **Beyond IFAD10**

29. The List system should be re-examined to reflect changes in the international architecture, building on experience with the existing system of Friends and Convenors to ensure that what works well is maintained.
30. A review of the MTR should be conducted to determine the appropriateness of the timing (and the possibility of a longer replenishment period), the scope (including the possibility of presenting a completion report of the previous replenishment), the time allocated, and the documentation (including how IOE could support the MTR's objectives more effectively).
31. Close collaboration should be established with the International Development Association and the African Development Bank to consider how best to assess the implications of a longer replenishment period. Their pros and cons may be different than those of IFAD, but an exchange on methodology would be useful. Such a study

could possibly be conducted within the auspices of the Comprehensive Evaluation Platform for Knowledge Exchange.

32. Monitoring of global financial trends is essential but not sufficient to position IFAD to benefit from positive trends and counter negative ones; greater effort must also be made to engage with strategically important groups of Member States and potential new financing partners. A "stop-go" approach should be avoided and replaced by a continuous engagement strategy, in particular with countries indicating interest in providing replenishment contributions.
33. It is also recommended that the implications of the ARM initiative be reviewed and analysed in terms of management approach to ensure appropriate oversight and the funding of only activities that are within IFAD's strategic framework and that have a minimum quality.
34. The Membership should consider initiating an informal dialogue on burden-sharing among Lists, including a discussion of the link between replenishment participation and financial contribution.